Transfer & Reclassification of Funds, Costs and Revenues (formerly Procedure 1305 PR.05)

Overview

This procedure is intended to provide basic information and guidance for departments, regarding the movement of funds, costs and revenues in the ordinary course of business. More detailed information for central process owners can be found at Procedure 1305 PR.06 (entitled Reclassifications and Transfer of Funds – Central Process Owners). Policies related to the cost transfers on sponsored awards may be found in Policy 1305.

I. OVERARCHING PRINCIPLES

A. **Transaction descriptions** should be clear, descriptive and understandable by someone unfamiliar with the transaction. It should always contain the 5 W’s – Who, What, Where, When & Why.

B. **Use restricted funds first.** Expenses that meet a restriction on a Gift (endowment or spendable gift fund) should be funded with the restricted income first.
   - Expenses that meet a restriction can be charged to an unrestricted account (such as GA or current use) and funded with Gifts using a reclassification Ledger Account. These reclassification Ledger Accounts and the associated rules are discussed in section F below.
   - Reminder: departments are responsible for ensuring that Gifts are used in accordance with the donor’s intentions (i.e., the expenses meet the restriction on the Gift). See Policy 2200.

C. **Income** should always be recorded directly to the appropriate account. In very limited circumstances income may be redistributed to other accounts using the same income Ledger Account on both sides of the transaction (i.e., DR & CR the same Ledger Account). Examples: (1) GA Allocation that must be distributed or allocated among various sections/projects, or (2) clinical income that must be distributed to other clinical accounts.
   - Movements of restricted Gifts use reclassification Ledger Accounts, NOT transfers. See decision tree for details.
   - Unrestricted funds (such as balances from general appropriations (FD01/FD30) or internally designated funds (FD18) should not be transferred or reclassified into a Gift.
   - If a Gift has been overspent, the excess expenditures should be moved to a different Yale Designated funding component. This qualifies as an expense correction as discussed in section E below.

D. **Agency accounts - All movements of funds** between Yale and Agency accounts must use external income or expense Ledger Accounts (must be reflected as arms-length transactions).

E. **Revenue & Expense Corrections**
   - Revenue and expense corrections are made using the original Ledger Account.
   - In instances where a revenue or expense is charged to the wrong Ledger Account, the correction should be made between the Ledger Accounts (keeping the other correct COA segments).
   - Errors should be corrected in the year they occur; corrections at the Ledger Account level for revenue or expenses cannot be made across fiscal years.

   **Examples of Proper Corrections:**
   - When moving a business meal expense (81035) to a different project or cost center: Credit 81035 in the COA originally charged and debit 81035 in the COA where the expense belongs, using the same SC from the original transaction.
Postage expense was accidentally charged as office supplies: Credit 81018/SC498 (Supplies-Office) and debit 81034/SC179 (Postage), keeping the rest of the COA the same.

F. Reclassifications of Restricted Income – The table below reflects unique revenue Ledger Accounts that should be used in place of the original when moving Gift (spendable or endowment) balances (within or outside of your unit). Use these Ledger Accounts when reclassifying or allocating Gift money to fund expenses that match the intended purpose (for both current and prior year income). When the spendable Gift is the “funding source”, use 43002/RC031 for both the debit and credit. When the endowment Gift is the “funding source”, use 44006/RC043 for both the debit and credit.

- These Ledger Accounts will be used in all cases where a Gift is being used as a funding source (even if the restriction is loose or general) and the transaction is being processed by a department other than Gift Administration, Development or Financial Reporting/General Accounting.
- DO NOT use LA 43000, 43003, 43004 or 43005 to move Contribution income. This is for the Development Office only to record the initial donation to the University.
- For compliance purposes, it is best practice to retain documentation that supports how transfers of this nature meet the restrictions of the donor’s intent.
- If a Gift has been overspent or is being reimbursed by an outside party or another funding source, do NOT use reclassification or transfer codes. Instead, move the related expenses off the gift with the natural expense ledger account. It is not appropriate to move unrestricted funds into a gift, nor is it generally appropriate to fund one Gift’s operating balance with another Gift’s operating balance. Please consult Gift Accounting with any questions on this topic (giftawards@yale.edu).
- Do NOT use the below ledger accounts to provide funding for cost sharing on Grants. See section on “Other Operating Transfers” below.

<table>
<thead>
<tr>
<th>LA #</th>
<th>Ledger Account Name</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>43002 and RC031</td>
<td>Contribution Revenue Reclassification</td>
<td>To move a gift balance or income to fund expenses matching the intended purpose of the award. Use for both debit and credit. Indicates gift restriction is met.</td>
</tr>
<tr>
<td>44006 and RC043</td>
<td>Endowment Income Reclassification</td>
<td>To move endowment income or spendable balance from/within an endowment to fund expenses matching the intended purpose of the award. Use for both debit and credit. Indicates that any endowment restriction is met.</td>
</tr>
</tbody>
</table>
G. OPERATING FUNDINGS AND TRANSFERS - Do not use to move income on restricted Gifts – see guidance in “C” and “F” above.

(1) Internal Program Support (Funding)
These Ledger Accounts are used for planned funding arrangements. They are budgeted amounts that are agreed upon between the parties prior to the start of the fiscal year. All are used on both sides of the accounting entry. These are used when both the debit and the credit are operating funds. This activity will appear “below the line” in the Statement of Activity (below operating results).

<table>
<thead>
<tr>
<th>LA #</th>
<th>Ledger Account Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>92000</td>
<td>Internal Program Support – From Provost</td>
<td>Internal income received by Yale units from the Provost to subsidize specified programs. Use for both debit and credit.</td>
</tr>
<tr>
<td>92001</td>
<td>Internal Program Support – Between Planning Units</td>
<td>Internal income showing funding between Planning Units to subsidize specified programs. Use for both debit and credit.</td>
</tr>
<tr>
<td>92010</td>
<td>Internal Program Support – Within Planning Unit</td>
<td>Internal income showing funding within a Planning Unit (generally from the central unit to other departments and cost centers) to subsidize specified programs. Use for both debit and credit.</td>
</tr>
<tr>
<td>92011</td>
<td>Internal Program Support – Within Department</td>
<td>Internal income showing funding within a Department to subsidize specified programs. Use for both debit and credit.</td>
</tr>
</tbody>
</table>

As noted above, this is used for planned funding arrangements, which may or may not grow with budget adjustments each year. Other uses may include:
- To fund an activity that is not self-supporting
- Move residual Clinical Drug Trial (CDT) balances to faculty accounts

DO NOT USE for:
- Year-end or other unplanned deficits; clearing surplus or deficit balances.
- Shifting or moving expense (use the original Ledger Account code)
- Moving income on gift or endowment awards (see guidance in “F” above)
- Use of (or addition to) unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division (see below)
- Clearing grant and contract overdrafts. These should be cleared by moving the expenses off the grant using the individual appropriate Ledger Accounts.
- Do not use for Gifts – releasing restrictions from Gifts to provide funding is considered a reclassification and should use 43002 or 44006 (depending on spendable vs. endowment) on both the debit and credit.
Other Operating Transfers
This Ledger Account includes all other transfers between unrestricted operating funds. It is used on both sides of the accounting entry and when both the debit and the credit are unrestricted operating funds. This activity will appear “below the line” in the Statement of Activity (below operating results).

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<tr>
<th>LA #</th>
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<tbody>
<tr>
<td>92020 and RC296</td>
<td>Transfers between Operating Funds</td>
<td>Transfers between unrestricted operating funds for business cases such as covering unexpected deficits or clearing surplus balances. This account should not be used for Internal Program Support (planned funding arrangements), funding/transfers provided by spendable Gifts, or funding/transfers provided by endowment Gifts. Use for both debit and credit.</td>
</tr>
<tr>
<td>92020 and SC713</td>
<td>Transfers between Operating Funds (SC = Transfer of Residual Clinical Trial Balances)</td>
<td>Transfers between unrestricted operating funds used for the transfer of residual clinical trial balances from the clinical trial account to another operating account. Use for both the debit and the credit with LA 92020. In limited circumstances and with prior approval from OSP may also be used for similar business circumstances on other fixed-price research agreements.</td>
</tr>
<tr>
<td>92020 and SC722</td>
<td>Transfers between Operating Funds (SC = Transfer of F&amp;A Credits for Use in Planning Unit)</td>
<td>Transfers between unrestricted operating funds used for the transfer of F&amp;A credits by the Planning Unit for use to cover other operating expenses. Use for both the debit and the credit with LA 92020. This is only for planning units that retain their F&amp;A credits or for use by Central Finance in University General.</td>
</tr>
<tr>
<td>92023 and SC730</td>
<td>Funding for Cost Share on Grants</td>
<td>Funding for Cost Share on Grants used for funding of cost sharing on grants only. Must be used on both the debit and credit and MUST use the same non-grant funding component on the debit and credit. Example: debit YD or Gift without the Grant (this “uses” the balance in the account providing the cost sharing); credit the Grant with the YD or Gift (this funds the Grant side of the cost sharing). This is the ONLY business circumstance where a funding/transfer uses a Gift; the transaction must have the same Gift # and same Fund # on the debit and the credit.</td>
</tr>
</tbody>
</table>

This may occur as part of the account setup/closeout process, period end accounting cleanup or in the ordinary course of business. Examples:
- Clear surplus or deficit balances with unrestricted funds by moving balances to cover deficits
- Move year-end operating deficits that cannot be cleared from departmental funds to GA
- Sweep non-clinical year end surpluses to reserves for departmental balances
- Sweep balances to internally designated accounts (formerly “special use”) that are in compliance with Line of Business for faculty controlled balances – YSM only
- Sweep a Med Services (after covering other deficits) to the Clinical Reserve within the appropriate line of business program

DO NOT USE for:
- Internal program support/funding
- Shifting or moving expense (use the original Ledger Account code)
- Moving income on gift or endowment awards (see guidance in “F” above)
- Use of (or addition to) unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division (see below)
- Clearing grant and contract overdrafts. These should be cleared by moving the expenses off the grant using the individual appropriate Ledger Accounts.
- Do not use for Gifts – releasing restrictions from Gifts to provide funding is considered a reclassification and should use 43002 or 44006 (depending on spendable vs. endowment) on both the debit and credit. Exception is 92023 as noted in grid above.
(2) Use of Unrestricted Reserves (92003 and RC268)
Ledger Account 92003/RC268 is used on both sides of the accounting entry. This Ledger Account is ONLY for the use of (or addition to) unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division. In general, the Lead Administrators should be the only individuals processing transactions with this transfer code. The Office of Financial Planning & Analysis (Budget Office) maintains a record of the orgs that are permitted to debit (use) funds via this Ledger Account. Permitted orgs are selected by the Lead Administrator for each School/Division.

H. NON-OPERATING TRANSFERS
The Ledger Accounts listed below are for transfers that impact non-operating funds. The expected use of these Ledger Accounts is limited. If you are unsure about whether to use, please contact General Accounting or Chart of Accounts in the Controller’s Office.

- Where the entry stays within non-operating funds, use 92005/RC142 on both the debit and the credit sides of the entry.
- Where the transfer is moving from operating to non-operating – debit 92002/SC653 and credit 92017/RC240
- Where the transfer is moving from non-operating to operating – debit 92018/SC654 and credit 92019/RC241

<table>
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<tr>
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<th>Funding Source/Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>92005 and RC142</td>
<td>Transfers between Non-Operating Funds</td>
<td>Transfers between Non-Operating Funds. Use for both debit and credit.</td>
</tr>
<tr>
<td>92002 and SC653</td>
<td>Transfers from Operating to Non-Operating – DR to Op</td>
<td>Transfers that pass between operating and non-operating funds. Use with LA 92017.</td>
</tr>
<tr>
<td>92017 and RC240</td>
<td>Transfers from Operating to Non-Operating – CR to NP</td>
<td>Transfers from Operating to Non-Operating - CR to NP. Use with LA 92002.</td>
</tr>
<tr>
<td>92018 and SC654</td>
<td>Transfers from Non-Operating to Operating – DR to NP</td>
<td>Transfers from Non-Operating to Operating - DR to NP. Use with LA 92019.</td>
</tr>
<tr>
<td>92019 and RC241</td>
<td>Transfers from Non-Operating to Operating – CR to Op</td>
<td>Transfers from Non-Operating to Operating - CR to Op. Use with LA 92018.</td>
</tr>
</tbody>
</table>

II. DECISION TREE AND DEFINITIONS
**Definitions**

**Correcting an Error** = A transaction was incorrectly charged to COA combination #1 and needs to be moved to COA combination #2 (or multiple COA combinations).

**Original LA** = The Ledger Account used for the original transaction (not a transfer, reclassification or funding Ledger Account). Typically a revenue or expense.

**Reclassification** = Represents a movement of “restricted use” Gifts (either endowment or spendable) within the Gift to change other COA segments or outside of the Gift to indicate release from restriction to use for its designated purpose.

**Sharing of Expense/Income** = An expense or income item was purposefully charged to COA combination #1, but should be shared with or moved to COA combination #2 (or multiple COA combinations). The receiving COA combination (#2) should show the natural expense or income to appropriately view activity and track history. This is similar to an error correction, but is not always the result of an error. This applies to movements/sharing between or within units.

**Transfer** = Transfers do not appear as program revenue in account statements. Represents a movement of funds that does not qualify as a sharing of income/expense, reclassification or funding. This is often a movement of prior year income and can occur on various Funds. **Not for use with Gifts.**

**Planning Unit** = Planning Unit represents the level of unit that are monitored by the Budget Office. The Planning unit is a distinct level in the Cost Center hierarchy.