

## **XIV. Accounting for Gifts, Endowment Earnings and Other Projects**

### **A. Overview:**

RIT receives gifts and other income to support the operations of the University. Gifts that are restricted for use by the donor are deposited into project accounts in the general ledger.

### **Objectives:**

*In this chapter you will learn about:*

- what gifts are and why they're important to RIT
- the role of the Development Office in accounting for gifts
- the different types of "restricted" projects
- how new projects are set up in the general ledger
- how project expenditures are monitored
- how deficit account balances are resolved

### **B. What Gifts Are and Why They Are Important to RIT**

1. Gifts are defined as funds received from external sources that are "donative" in nature. They are bestowed voluntarily (i.e., the intent of a gift is philanthropic) and without the expectation of any "compensation". In other words, the donor does not receive goods or services in exchange for donations made to the University.
2. While tuition paid by students is the major source of income to the University, gifts are important for a variety of reasons. Gift income supplements RIT's budget by providing additional funds to award scholarships to students, maintain the infrastructure, and grow the University's endowment.
3. Gifts are donated to RIT from various sources outside of the Institute such as trustees, faculty/staff, alumni and friends, corporations, and foundations.
4. When RIT receives a gift, and there are no restrictions on how it may be spent, it is called an "unrestricted" gift and the funds may be used for any business purpose. However, donors often place restrictions on how the funds they donate may be spent by the University.
  - a. Temporarily Restricted – When a donor specifies how he/she wants the funds donated to RIT to be spent, the gift is referred to as "temporarily restricted". The Development Office, the Controller's Office, and the department receiving the gift are jointly responsible for ensuring that the gift is spent according to the donor's wishes

(see Sections J – L for more information about temporarily restricted gifts).

- b. **Permanently Restricted** – When a donor specifies that a gift be “endowed” (i.e., invested in the University’s endowment fund in perpetuity); it is called a “permanently restricted” gift. Only a portion of the annual investment earnings from endowed gift may be spent according to the donor’s specific restriction (see Section L for more information about endowment earnings accounts).

5. In addition to outright gifts of cash, RIT receives pledges, gifts-in-kind, securities, bequests and deferred gifts. Definitions of each type of gift are as follows:

- a. *Pledges* – A documented commitment to RIT to receive future charitable contributions from employees, other individuals, companies or foundations. The details required in order to record a pledge include the donor’s signature, the pledge amount, payment schedule, and the designation, if any.
- b. *Gifts-in Kind* – Non-cash gifts, or gifts of non-monetary items of tangible property such art, equipment, consumables and real estate. The donor must provide information about the valuation and how it was determined before it can be recorded as a charitable gift (see Section E for more information regarding gifts-in-kind).
- c. *Securities* – Publicly traded and closely held securities (stocks) and bonds may be donated by delivering the fully executed securities (stock certificate or bonds) to RIT or by transferring the securities electronically through the brokerage firm(s) of the donor and RIT.
- d. *Bequests* – An individual’s charitable contribution from their estate at the time of their death. RIT records bequest intentions if the donor has provided a copy of his/her will or excerpt from the will and/or letter from the donor’s attorney or financial advisor. There are several types of bequests or deferred gifts and many have tax benefits for the donors. Donors
- e. *Deferred Gifts* – The benefit of a gift to RIT is not actually realized until some point in the future. Due to the uncertainty of timing of the realization of the gifts, they are reported at present value, separately from outright gifts. Deferred gifts are only recorded in the general ledger when the donor **irrevocably** establishes the instrument. Examples of deferred gifts include charitable gift annuities, charitable lead trusts, charitable remainder trusts, and life estates.
- f. *Matching Gifts* – Gifts made to RIT from companies/foundations that have agreed to match charitable contributions made by their employees or trustees. The Development Office processes Corporate matching gift applications so that a matching claim is created and both the corporation and employee are properly recognized.

## C. The Role of the Development Office

1. The Office of Development RIT and Alumni Relations is the official fund raising organization of RIT. All gifts, received as cash, check, money order or gift-in-kind are deposited by the Development Office. This will ensure that each donor receives a formal receipt (for tax purposes), an accurate donor history is maintained centrally for the Institute, and that charitable gifts are properly handled as required by RIT for auditing purposes.
2. The Development Office engages in a variety of fundraising activities designed to increase the number of gifts made to the University including:
  - a. *Capital Campaigns* are a method for non-profits (largely colleges and universities) to identify a comprehensive needs list and position the organization to solicit numerous major gifts and multi-year commitments. The length of a campaign is generally six years or more. RIT is currently in a \$300 million campaign that began June 15, 1998 and concludes June 30, 2006. In the height of this campaign, RIT's three-year average for gift activity is \$45 million.
  - b. *Major Gifts* represent donations by any individual, corporation or other entity above \$25,000. They are often solicited by a team and can involve staff and administration including the President, the Provost, Vice Presidents, Deans, Development Officers and faculty. Major gifts are often fulfilled through multi-year pledges, deferred commitments, and/or gifts of securities.
  - c. *Annual Fund* activity consists of all gifts not at the major gift level and generally obtained through telefund and direct mail solicitations. Annual Fund gifts fulfill the Institute's urgent operational needs and are often unrestricted and designated toward scholarships or use by specific colleges. The greatest source of Annual Fund giving is from trustees, alumni, faculty/staff and parents.
  - d. *RIT Alumni* (an individual holding a certified RIT degree) play a critical role in raising philanthropic funds either through personal donations or by providing connections to other sources of gifts. The Alumni Relations Office serves as the Institute's official point of contact for engaging and fostering alumni relationships.
    - Alumni participation is also important in fund raising. The opportunity to receive high national rankings, grants or foundation support is impacted by RIT's ability to garner alumni participation.
3. Donor Relations
  - a. The University recognizes donors personally and publicly. In addition to personal recognition through correspondence and gift receipts, an annual donor report is published each November as a supplement to the *University Magazine*.

- b. Donors receive official tax documents for their gifts within 36 hours of receipt by the Development Office. The President, appropriate Vice President, Dean and/or Development Officer personally acknowledge gifts above \$500. Aside from these acknowledgments, donors may also receive recognition through naming opportunities and campus donor walls.

For more information, refer to the Donor Bill of Rights in  
Chapter XVI, Section E.

#### **D. Accounting for Gifts**

1. To ensure accurate gift reporting and prompt donor acknowledgements, departments are asked to forward all gifts they receive directly from donors to the Development Office for processing.
  - a. When a department makes a gift deposit at the Cashier's Office, Accounting will post the deposit to a general ledger "suspense" account, not to the gift account entered on the Deposit ID Form.
  - b. Once the department provides documentation to the Development Office, the Campaign and Financial Reporting Specialist will prepare a journal entry to move the funds to correct gift account. This step ensures that gifts received by departments are accounted for correctly on the general ledger.
2. Recording Gifts
  - a. The Advance Fundraising application is the Institute's official database for recording, storing and managing alumni records and donor gift transactions. The system holds 90,000 alumni records and 110,000 other records. Functionality includes biographical and address management, donor stewardship, and donor giving histories.
  - b. When a deposit is prepared by Development, both the Advance system and the General Ledger are updated. When Accounting processes the deposit journal entry, the appropriate gift account is credited (see Sections F through L below for more information).
  - c. Staff in the Controller's Office reconcile the gifts that have been recorded in the Development Advance System to the general ledger. There may be differences in the amount recorded due to requirements by Case Management Reporting Standards (CASE – Council for Advancement and Support of Education) vs. GAAP (Generally Accepted Accounting Principles).
3. Critical Gift Reporting Times
  - a. Fiscal Year-End – It is important to ensure that all gifts received on or before June 30<sup>th</sup> of each year are reflected in the University's financial statements.

- b. Calendar Year-End – For income tax purposes, many donors make charitable donations on or before December 31<sup>st</sup>. The Development Office is open during the Institute’s holiday break to process and receipt year-end gifts for donors’ tax requirements.

**E. Accounting for Gifts-in-Kind**

- 1. RIT often receives gifts of equipment, printed materials, supplies, etc. from donors. These non-cash donations of materials or long-lived assets are referred to as “gifts-in-kind”.
  - a. For financial reporting purposes, gifts-in-kind are recorded in the general ledger as “gift-in-kind income” and “gift-in-kind expense” for the department that actually received the gift.
  - b. A list of gift-in-kind revenue and expense object codes is on the following page:

Description	GIK Revenue Object Code	GIK Expense Object Code
GIK – Equipment < \$1,500	54250	87100
GIK – Equipment > \$1,500	54300	87105
GIK – Leases	54325	87112
GIK – Services	54400	87115
GIK – Software	54410	87123
GIK – Consumable Supplies	54450	87120
GIK – Other	54500	87125

- 2. There are special rules about how to account for in-kind gifts, including information that must be provided to RIT in writing by the donor. To ensure that the required information is provided to the Development Office, the Controller’s Office has developed a checklist for the department receiving the gift to complete. The checklist includes the following information:
  - a. A description of the gift
  - b. The date the gift was received
  - c. The value / amount of the gift and how the value was determined
  - d. The college / department receiving the gift
  - e. Costs associated with accepting the gifts (i.e., installation and maintenance)
  - f. Stipulations as to how the gift will be used by RIT

To view or print a copy of the Gift-in-Kind Checklist, refer to the Controller’s Office web page: <http://finweb.rit.edu/controller/accounting/gifts.html>.

- 3. When a department receives a capital equipment in-kind gift, the Development Office will notify Property Control. For inventory and

depreciation purposes, Property Control will add the capital equipment to the Oracle Asset system.

## **F. Accounting for Pledges**

1. When a pledge is received from a donor (see section B.5.a), the C&FRS prepares a journal entry to record the gift on the general ledger as income (DR Accounts Receivable / CR Pledge Income).
  - a. A bad debt reserve and discount are also recorded on the general ledger reflecting both potential pledges that will not be paid and fact that the funds will be received at a future date.
2. Pledges are not available to be spent by departments until the actual income is received. When the funds are received from the donor, the C&FRS prepares a journal entry to credit at appropriate temporarily restricted gift project (DR Cash / CR AR and DR Pledge Income /CR TR Gift Income).

## **G. Gift, Endowment and Other Income Projects**

1. To ensure the accuracy of RIT’s financial reporting, several different project ranges have been established to track gifts and other income in the general ledger:

<b>Project Type</b>	<b>Project Account Range</b>	<b>For More Information</b>
Scholarship Gifts	20000 – 24999	See Section J
Other Gift Accounts	25000 – 27999	See Section K
Gifts for Plant Projects	28000 - 28999	See Section L
Endowment Earnings – Scholarships	60000 – 69999	See Section M
Endowment Earnings – Professorships & Prizes	70000 – 79999	See Section M
Special Projects	10000 – 14999	See Section O
Designated (Discretionary) Projects	15000 – 19999	See Section O

## **H. Setting Up New Project Accounts**

1. The Controller’s Office Campaign and Financial Reporting Specialist (C&FRS) is responsible for setting up new gift project numbers (projects 20000 – 29999) and the corresponding descriptions in the general ledger.
  - a. When a new gift is received (i.e., a gift project has not yet been established) the funds will be deposited into a “suspense” account. As soon as the gift is set up, the C&FRS will prepare a journal entry to transfer the gift from the suspense account to the new gift account.

2. Accounting is responsible for setting up new special projects and designated projects (projects 10000 – 19999) and the corresponding descriptions in the general ledger.
3. Generally, the home department number of the individual responsible for the account will be assigned to the project. For example, if the department head of Electrical Engineering department 63100 asks Accounting to establish a special project account for a workshop that will be held during the summer, department 63100 will be set up in the department segment of the account number:

01 . 63100 . XXXXX . 20 . 14999 . 00000

- a. Accounting will also set up the required 24-digit general ledger account numbers for the project and the budget, if applicable.
4. Unlike operating accounts, funds remaining in project accounts are available from one fiscal year to the next.

#### **I. Monitoring Expenditures on Restricted Project Accounts**

1. Department administrators are responsible for monitoring expenses charged to restricted projects. Various Oracle reports are available to assist departments with tracking and reconciling project revenue and expenses.
  - a. Each month, departments should print the “RFA Other Projects” statement to determine the project account balance (revenue – expenses = balance available).

Refer to Chapter XI for more information about Oracle FSG and Standard reports.

Refer to Lessons 2, 3 & 4: Requesting and Printing FSG and Standard Reports in the General Ledger Section of the Oracle Training Manual.

2. The Controller’s Office C&FRS is responsible for monitoring gift projects for deficit balances at the end of the project or fiscal year. Accounting is responsible for monitoring special and designated projects for deficit balances. Departments are responsible to fund over expenditures, should they occur.
  - a. Controller’s Office staff will move over expenditures to the department’s operating account at the end of the fiscal year and/or prior to closing the project account on the general ledger.

Refer to Chapter XIV, Section B.2, for a complete list of project types and descriptions.

## J. Scholarship Gift Accounts

### Key Words:

*Gift  
Donors*

1. “Scholarship *gift* accounts” (project range 20000 – 24999), are established when funds are received from *donors* for the specific purpose of providing scholarships (aid) to RIT students.
  - a. Since the donors establish the criteria for awarding these scholarships, the funds are “temporarily restricted”. This means that they may be spent only for the purpose specified by the donor. The restriction is met when the funds are expended.
  - b. If the department decides which student(s) will receive the scholarship, the project is assigned to that department (the department number will be a part of the 24-digit account number).
  - c. If Financial Aid is responsible for selecting the recipient, the project is assigned to the Financial Aid department (department number 95500 will be part of the 24-digit account number).
2. If your department receives a check directly from a donor, inform the Development Office immediately and then send it to them via inter-office mail.
  - a. When depositing temporarily restricted gifts into scholarship accounts, Development will prepare the deposit and indicate object code 54100 in the account number
  - b. An example of a temporarily restricted gift revenue line on a College of Engineering scholarship project is:

01 . 63000 . 54100 . 00 . 20049 . 00000

3. All scholarships are disbursed through the University’s Financial Aid system and students awarded scholarships receive a credit on their student billing account.
  - a. When a scholarship is awarded to a student, the expense is charged directly to the project account on the Student Aid and Prize object code 82000.
  - b. An example of a charge for a scholarship on project 20049 is:

01 . 63000 . 82000 . 30 . 20049 . 00000

4. Scholarship gift accounts remain open as long as there is continued funding received from the donor.
  - a. Occasionally, gifts may be “*released from restrictions*” if it is determined that the restriction imposed by the donor has been met.

### Key Words:

*Released from  
Restrictions*

*Transfers*

5. Other revenue, including *transfers*, may not be deposited into scholarship gift accounts.
6. Expenditures on a scholarship project account may not exceed gifts received from a donor(s). If a deficit balance occurs, excess expenditures must be moved to another scholarship account (one with a similar purpose) prior to fiscal year end.

### **K. Other Gift Accounts**

1. “Other gift accounts” (project range 25000 – 27999) are established when funds are received from donors for a specific purpose, other than for providing scholarships.
  - a. The department number of the department responsible for administering the gift will be part of the 24-digit account number.
  - b. All funds must be expended in accordance with the donor’s wishes and expenses are charged directly to the gift account, on the appropriate object code.
  - c. Other gift accounts may remain open as long as there is continued funding received from the donor.
    - Occasionally, gifts may be “released from restriction” if it is determined that the restriction imposed by the donor has been met. When this occurs, the CC&FRS may move funds from the gift account to a designated fund account.
2. If your department receives a check directly from a donor, inform the Development Office immediately and then send it to them via inter-office mail.
  - a. Development will prepare the deposit using object code 54100 in the account number.
3. Other revenue, including transfers, may not be deposited into “other gift accounts”.

### **L. Gifts for Plant Projects**

1. When a gift is received for capital projects such as a new building or a building addition, it is deposited into a “plant gift project” (project range 28XXX – 299999).
  - a. In the following example, a gift received in support of the upcoming College of Engineering Expansion project is deposited into a plant gift account using a temporarily restricted, non-operating gift object code:
    - 01 . 63000 . 54110 . 00 . 28123 . 00000

Note: No actual expenses are permitted on the gift project (see # 3 below).

2. A corresponding plant project (88XXX – 89XXX) is set up on the general ledger under department 18000 to track the actual capital expenditures.
3. When the new building or renovation is placed in service (e.g., in use), the C&FRS will transfer the gift income from the gift project to the plant project.
  - a. At the time the gift income is transferred from the gift account to the construction project, it is “released from restrictions”.
  - b. Here’s an example of a transfer from a College of Engineering plant gift project to a COE building expansion project:
    - Debit the COE plant gift account:  
01 . 63000 . 63183 . 00 . 28123 . 00000
    - Credit the FMS plant project:  
01 . 18000 . 63120 . 00 . 88123 . 00000
  - c. Note: transfer object code 63120 indicates a transfer of funds from a high restriction gift account).

### **M. Endowment Earnings Accounts**

1. RIT maintains an endowment fund, invested in perpetuity, to provide support for its educational mission, both today and in the future.
  - a. Only donors may stipulate that their gift to RIT be endowed. RIT cannot make that determination.
  - b. In order to establish an endowed scholarship, RIT must receive a minimum of \$25,000 in gifts for the same purpose (see #4 below).
  - c. \$10,000 must be received by RIT for all other endowments (see #5 below).
  - d. Minimum endowment levels must be met within three years from the time the first gift is received for the purpose of establishing an endowed fund.
2. All funds in the endowment are *permanently restricted*; RIT departments may spend only a portion of the income generated by the endowment investment.
3. Endowment earnings accounts, project range 60000-79999, are funded from income generated by the endowment fund.
  - a. The RIT Endowment Manager processes a journal entry each fall to move income from each endowment to the corresponding endowment earnings account.

- b. Once the funds are moved to the endowment earnings accounts, they are considered to be “temporarily restricted” since the donor establishes the criteria for expending the funds. This means that they may be spent only for the purpose specified by the donor.
  - c. Expenditures are made against the appropriate expense lines. If required, the Endowment Manager will establish new 24-digit account numbers.
  - d. Endowment earnings accounts remain open permanently. Since the endowment itself is invested in perpetuity, there is a continuous source of funding.
  - e. Expenditures on an endowment earnings account may not exceed income during any fiscal year.
  - f. Other revenue, including temporarily restricted gifts and transfers, may not be deposited into endowment earnings accounts.
4. Scholarship earnings accounts, project range 60000-69999, are established to provide scholarships for RIT students. Refer to Section J, Scholarship Gift Accounts, for more information about temporarily restricted scholarships.
  5. Professorships and prizes earnings accounts, project range 70000-79999, are established to fund RIT endowed chairs (professorships) or other prizes (non-scholarship). Refer to Section K, Other Gift Accounts, for more information about other temporarily restricted gifts.

**N. Special Project and Designated Fund Accounts**

1. Special projects, project range 10000-14999, are established to track financial activity for special events that are funded externally through registrations, ticket sales, etc. Special project accounts allow departments to segregate revenue and expenses for these activities from their regular operating budget.
  - a. Accounting will ask for project start and end dates prior to establishing the project account on the general ledger. Special projects do not necessarily coincide with RIT’s fiscal year.
  - b. Typically, funds received for special projects are deposited into a miscellaneous revenue account.
    - An example of a miscellaneous revenue line on a special project account in the College of Engineering is:
 

01 . 63000 . 59000 . 00 . 14500 . 00000
  - c. Expenditures are made against the appropriate expense lines (i.e., salaries, supplies, travel, etc.), not the revenue line. If required, Accounting will establish new 24-digit account numbers.

- d. Surpluses remaining at the conclusion of the project may be spent for business purposes at the department head's discretion.
- e. If a deficit balance remains, department heads are responsible to fund it at the conclusion of the project.

**Key Words:**

*F&A*

- 2. Designated fund projects, project range 15000-19999, are funded internally by monies recovered from *Facilities and Administrative Cost Rates (F&A)* on grants and contracts, surpluses from fixed price contracts and gifts that have been released from restrictions.
  - a. Department heads may spend designated funds at their discretion for business purposes. Deficit balances may not occur on designated fund projects.

To obtain information about Facilities and Administrative Cost Rates refer to the [Controller's Office](#) web page:

<http://finweb.rit.edu/controller/sponsored/costreturn.html>.