

Financial Policy and Procedures Instructions Manual
FPI H-4 Non-Operating Revenues (Contributions)
Last Updated April 1, 2005

I. Purpose and Scope:

The purpose of this Financial Procedure Instruction is to define contributions classified as non-operating revenues and to provide specific policies and procedures for funds management. The scope of this policy is limited to the accounting and management of funds transferred to the University from the Colorado State University Foundation and recorded in the University 6-4 fund.

The source of revenue in the gift (6-4) fund is limited to cash transfers from the CSU Foundation (CSUF) to Colorado State University. These transfers are comprised of contributions received by CSUF on behalf of the University and investment income earned on those funds. CSUF invests contributions and deposits funds into its accounting system in an account numbering system which mirrors the University's FRS gift fund accounts. These funds remain with the Colorado State University Foundation until such time as the University requests. Gift funds are expended in accordance with donor intent and restrictions and must further comply with other rules for expenditure of University funds.

The Colorado State University Foundation receives transfers or pledges to transfer cash or securities in transactions that are non-operating revenue of the University. In addition, the foundation receives contributions of gifts-in-kind, and personal property if it can first be established that the University has a need for those items. Contributions of real property are generally processed through the Colorado State University Research Foundation (CSURF). The research foundation should be contacted for guidance on proposed transactions involving real property.

II. Definitions and Responsibilities:

Operating and non-operating revenue: Operating revenues consist of sales & service activities related to the University three part mission of teaching, research, & public service, and include grants & contracts from Federal, State & Local governments and Private sources including businesses, individuals & foundations. Expenses of these transactions must be matched with revenues. Non-operating revenues consist of subsidies from grantors and donors where there are no expenses required to be matched with the revenue. This includes capital gifts and grants that are intended to fund buildings, improvements, equipment, and library materials.

Contributions: Non-operating revenues of the University in the form of gifts and grants that have neither: a scope of work; a budget; or a transfer of University assets.

Exchange transactions: Operating revenues of the University in the form of contracts; grants; or sales of goods & services; that involve either: a scope of work; a budget; or a transfer of University assets.

Transfer of assets: An exchange of rights to possess, use, and dispose things of value to either party, whether tangible or intangible, as well as privileges that accrues from advance notice or limited distribution of information or intellectual knowledge.

Scope of Work (syn: Statement of Work): A description of the work to be performed and completed on a project involving research, instruction, or public service. This may include a detailed description of tasks to be completed during the course of the project. The scope of work is prepared in advance to define the extent of the work to be performed.

Budget: Estimates of proposed expenditures relating to the completion of the work describe within the Scope of Work.

Gift (64) fund: A self balancing set of accounts with assets, liabilities, fund balance, revenues, expenses, and encumbrances within the University's FRS accounting system. An FRS gift fund account exists for each expendable fund account maintained by the Colorado State University Foundation.

Colorado State University Foundation (CSUF): Manages and invests contributions that are non-operating revenues made on behalf of the University. Records and maintains restrictions on funds to assure funds are not transferred to the University until any timing restrictions are met. Invests funds and provides reports to University account holders on status of principal and investment earnings. Initiates cash transfers funds to the University using established procedures.

Office of Sponsored Programs (OSP): Manages the Gift Fund (64 fund) by processing CSUF cash draws and maintaining the Gift Fund chart of accounts. Researches all transactions referred by Advancement Services for classification, funds management, and revenue recognition under authoritative accounting sources. Provides the primary accounting oversight and follow-up to assure that accounts on the CSU accounting system maintain a positive cash balance. Provides the primary accounting oversight and follow-up to assure that there are adequate resources available (in CSU gift fund accounts and/or CSUF accounts) to cover all gift fund account expenditures and encumbrances recorded on the CSU accounting system.

Advancement Services: Provides gift processing services to the Colorado State University Foundation. These services include: recording the value of the transaction; providing written documentation to donors to properly substantiate donor contributions for tax purposes; maintaining a donor database, and referring any transactions that may be operating revenue or capital to OSP for a decision on classification and funds management.

University Departments: Work with development officers on gift solicitations to assure that adequate documentation is acquired for Advancement Services to properly record the value of the transaction, and to identify any transactions that need to be referred to OSP for classification and management. Departments also request gift funds to be transferred from the Colorado State University Foundation to the University as needed for activities supported by donors. University Departments are responsible for maintaining information on donor intent and restrictions. In addition, University Departments are responsible for assuring that expenditures are authorized by signatories who have full knowledge of donor intent and that expenditures are made in accordance with donor intent and restrictions.

Business & Financial Services: Provides oversight on financial processing of contributions and expenditures and maintenance of adequate cash and unencumbered fund balance. Provides oversight and review to assure that transactions are correctly classified and expenditures comply with donor intent and restrictions.

III. Policy:

Contributions to CSUF that are recorded in the 6-4 fund are limited to transactions that: (1) are not an exchange transaction; (2) are not operating revenues; (3) have limited funds management requirements; and (4) do not involve a transfer of University assets. The labels and form of the transaction, such as *award, gift, grant, contract, sponsorship, appropriation*, are not controlling determinants in making the distinction between a contribution and an exchange or operating revenue transaction. The substance of the transaction needs to be analyzed to make this accounting classification and in determining the degree of funds management by OSP.

Contributions must be supported by a complete set of documentation referencing the approved solicitation, proposals, and all correspondence from the donor specifying conditions and intent. The University departments are responsible for assembling this documentation and for submitting it to Advancement Services. Contributions with insufficient documentation will be processed as an unrestricted contribution to the Colorado State University Foundation.

If there are any questions on the classification of a transaction as a contribution or exchange transaction, Advancement Services must be contacted which will then forward all materials to OSP for a decision on classification and funds management. Any transaction involving any of the following eight attributes must be referred to OSP which may consult with or refer the classification and funds management decision to the University Controller.

1. There is a contractual agreement to be signed and executed, even if it appears to be "boilerplate" terms and conditions. A contractual agreement is a bi-lateral legal instrument that imposes an undertaking on the part of the University. Contractual

agreements so not include unilateral communications such as acknowledgements, receipts, recognition and letters of appreciation.

2. There is either advanced limited distribution of research information or delayed publication of research information.
3. There is patent, intellectual property, or other intangible rights involved in the transaction.
4. There is either a technical or financial report involved in the transaction. Such reports go beyond the scope of a general statement of how the contribution was used in support of the resource provider's interests.
5. The resource provider has either explicit or implicit guidelines for performance that go beyond the scope of expending the funds to meet the intention of their contribution.
6. There is a scope of work (see definition).
7. There is a period of performance.
8. The resources can be revoked.

Any transaction referred to OSP that has any of these attributes will be evaluated into by OSP and Advancement Services will be directed on how the transaction needs to be accounted for, in terms of classification, revenue recognition, and the degree of funds management.

It should be noted that a conditional determination is made by these offices at the proposal stage based upon the anticipated submission. A final decision is made by these offices at the time of the award, based upon final acceptance. Generally, all operating revenues are managed by OSP, and contributions are remitted to the Colorado State University Foundation. CSUF will not process any exchange or governmental transactions without the approval of the President of CSU.

In any contribution transaction where partial value is provided by the University, CSUF will process the transaction with the exchange value being a liability to the University for periodic cash settlement. The partial exchange value will be determined by the University Controller. All contributions received by the Colorado State University Foundation are for the benefit of Colorado State University. Once these funds are transferred to the University they become University property and cannot be transferred to another institution or individual.

A Gift Fund is established within the University to account for proceeds transferred from the Colorado State University Foundation and to account for expenses that are incurred in accordance with donor intent. Accounts in the CSU gift fund must maintain a positive cash balance at all times. In addition, there must be adequate resources available (in CSU gift fund accounts and/or CSUF accounts) to cover all gift fund account expenditures and encumbrances recorded on the CSU accounting system.