



The University of Vermont

Responsible Official: Vice President
for Finance and Treasurer

Effective Date: January 7, 2014

University Operating Procedure

Restricted Gift Fund Administration

Overview

It is the stewardship responsibility of the University to ensure compliance with the spending guidelines and/or restrictions set forth by a donor in governing gift agreements of Restricted Gift Funds. Notice of available funds, and any guidelines or restrictions relevant to expenditures, shall be communicated to the dean or equivalent official of the department or unit utilizing the funds, as well as the applicable Fiscal Officer, by The University of Vermont and State Agricultural College Foundation, Inc. (the “Foundation”) in active consultation with the Vice President for Finance. It is the responsibility of departments and units to reference the applicable gift agreement when budgeting for and making expenditures of Restricted Gift Funds.

This UOP does not apply to grants and contracts. Awards classified as grants or contracts shall be administered by Sponsored Program Administration (www.uvm.edu/spa).

Procedures

Documentation of Restrictions

The University, through the Office of the Controller, shall maintain a permanent record of all gift agreements in accordance with the University’s Gifts Policy for those gifts made to the University prior to January 1, 2012, as well as those gifts made directly to the University thereafter. Likewise, the Foundation shall maintain a permanent record of all gift agreements for gifts made for the benefit of the University through the Foundation after January 1, 2012 in accordance with the Foundation’s Gift Acceptance Policy.

In addition to the permanent records described above, the Foundation, in cooperation and consistently with the University, shall create and maintain an electronic database of each Restricted Gift Fund’s terms, for use by Fiscal Officers and Unit/Department Heads in carrying out their responsibilities relative to both budgeting and discretionary spending of the Fund.

Requests for guidance regarding donor intent, or interpretation thereof, or the appropriate use of Restricted Gift Funds held by the University, shall be directed to the Office of the General Counsel. In the event that donor restrictions can no longer be met, distributions of the Restricted Gift Fund must be suspended, and the Fiscal Officer must promptly contact the Office of the

General Counsel. The Office of the General Counsel will then determine whether modification to, or release of, the applicable restriction language is possible pursuant to the Vermont Uniform Prudent Management of Institutional Funds Act (14 V.S.A. §3411 et al) and, if not, what other disposition of the Fund must be made. Requests for guidance relative to donor intent, or interpretation thereof, or the appropriate use of Restricted Gift Funds held by the Foundation, shall be directed to the CEO and President of the Foundation.

Responsibility for Ensuring Compliance with Donor Intent

The dean or equivalent official of the relevant unit is ultimately responsible for ensuring compliance with donor intent, and shall be required to attest to such compliance annually. Operationally, the dean or equivalent official of the relevant unit will assign a Fiscal Officer for each fund. Fiscal Officers are responsible for the daily management of Restricted Gift Fund spending in their area of oversight to ensure that expenditures charged against said Fund are consistent with donor intent, the educational mission of the University, and its tax-exempt purpose.

Budgeting and Expenditures

Policies and procedures for the budgeting of Restricted Gift Funds shall be issued to deans/equivalent officials and Fiscal Officers as part of the University's annual budgeting process, consistent with the following:

- All expenses associated with a Restricted Gift Fund may only be charged directly against the Fund itself. Restricted Gift Funds may not be transferred to other discretionary, expendable or reserve funds.
- Unrestricted resources may be applied by the unit or department to programs and activities thereof meeting the restriction(s) only after distributions from the Restricted Gift Fund have been fully exhausted.
- Fiscal Officers are responsible for ensuring that Restricted Gift Funds are not overspent. To the extent a Fund is overspent as of June 30, the unit will be financially responsible for covering any over-expenditure.
- If a Restricted Gift Fund is not spent on an annual basis, Fiscal Officers must provide the University Controller a spending plan.
- Restricted Gift Funds shall be incorporated into the University's quarterly budget certification process, thereby requiring Fiscal Officers to certify appropriate expenditures are being made.

Internal Controls

Funds received for restricted purposes are separately accounted for in accordance with generally accepted accounting principles.

Restricted Gift Fund transactions are monitored by the Controller's Office to verify that the donor's restrictions are recorded accurately and are being observed. The Controller's Office also conducts periodic testing to help ensure that distributions are being used in accordance with donor restrictions, and that Funds are being spent in a timely manner. However, ultimate and

primary responsibility for compliance with Fund restrictions rests with the dean or equivalent official of the unit or department utilizing the funds.

The University's Internal Auditor Office shall also periodically review Restricted Gift Fund accounts to ensure that they are being administered properly.

Definitions

Fiscal Officer: the individual responsible for daily budgetary and spending management of a restricted fund. Typically the Fiscal Officer is the department or unit head, as identified to the Controller by the dean or equivalent official of the relevant unit.

Restricted Gift Funds: Restricted Gift Funds are those funds provided by gift to the University that carry donor-imposed restrictions. As such, expenditure of these funds is limited to the initiative specified by the donor (i.e. student scholarships, named deanship, chair or professorship, departmental or programmatic initiatives, teaching and research awards, etc.). Broadly, Restricted Gift Funds may take one (or both) of the following forms:

- *Endowment Funds:* An endowment fund is a self-renewing resource that the University holds in perpetuity. Customarily the principal amount of an endowment fund cannot be spent. Instead, the principal is invested, and the earnings on the endowment are applied towards the purpose(s) identified by the donor.
- *Outright Gift Funds:* An outright gift usually allows for the principal of that gift to be expended towards the purpose(s) identified by the donor.

Contacts/Responsible Official

Questions related to the daily operational interpretation of this procedure should be directed to:

University Controller
333 Waterman Building
(802) 656-2903

Office of the General Counsel
357 Waterman Building
(802) 656-8585

The Vice President for Finance and Treasurer is the official responsible for the interpretation and administration of this procedure.

Forms

None

Related Documents/Policies

Gifts Policy

<http://www.uvm.edu/policies/advance/gifts.pdf>

UVM Financial Operations Manual

<http://www.uvm.edu/~fmoprman/>

UVM Foundation Gift Acceptance Policy

http://www.uvmfoundation.org/s/1690/images/gid2/editor_documents/foundation/document_library/gift_acceptance_policy.pdf

Effective Date

Approved by the Vice President for Finance and Treasurer January 7, 2014