

Applies to: Budget/fund transfer initiators and approvers, vice presidents, deans, chairs, and directors.

Responsible Office

Office of Business and Finance

POLICY

Issued: 07/01/1985
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Transfers of cash and equity between funds in the university accounting system are necessary to conduct university business in certain instances. This policy is intended to provide flexibility to colleges and vice presidential (VP) units to manage their finances, while ensuring effective stewardship of restricted funds and appropriate classifications of fund balances (equity) in university financial reports. University overhead is not charged on fund transfers.

Purpose of the Policy

To account for multiple funding sources and ensure that resources are used for their intended purpose in a manner that meets the university's obligation of financial stewardship.

Definitions

Term	Definition
Agency funds 9xxxxx	Funds deposited with the university by an outside entity (such as a scholarly journal) to allow the entity to make expenditures within the university. The university does not “own” agency funds.
Annuity/life income funds 70xxxx – 74xxxx	Funds related to gift transactions, under which the university agrees to provide a stream of income to a beneficiary for some period of time (such as the beneficiary's lifespan). The remaining funds then typically become university endowments.
Current restricted funds 2xxxxx – 5xxxxx	Funds that, like unrestricted funds, are available to finance current operations, but are subject to purpose restrictions imposed by the donor, grantor, or other resource provider. Examples include current-use gift (development) funds, endowment income funds, and grant and contract funds.
Current unrestricted funds 0xxxxx, 1xxxxx, Hxxxxx	Funds available to finance current operations and may be used for any legal business purpose, subject to the approval of university management and the Board of Trustees. Examples include general funds, earnings funds, and The Ohio State University Health System operating funds.
Endowment principal funds 6xxxxx	Funds generally invested “in perpetuity” and not available to fund current operations. Income distributions from these funds may be used for current operations but are generally subject to purpose restrictions imposed by the donor, grantor, or other resource provider. Board approval is required to establish or to modify the terms of an endowment fund. Endowment principal funds fall into two broad categories: gifted endowments and operating endowments .
Gifted endowments	Include both “true” endowments whose principal cannot be expended for any purpose and “invadable” endowments whose principal may be expended under certain circumstances specified by the donor.
Loan funds 75xxxx – 79xxxx	Funds that are generally restricted to student loans and are not available to finance current operations.
Operating endowments	Funds from unrestricted or current restricted sources that have been internally designated to function as if they were endowments; sometimes referred to as “quasi-endowments.”

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Term	Definition
Plant funds 8xxxxx	Funds set aside for capital improvements (buildings, major equipment, etc.) and include various central university funds used to account for property, plant, and equipment assets and associated debt.

Policy Details

- I. Deans, vice presidents, fiscal officers, and faculty/staff members with approval authority over transactions are responsible for understanding and adhering to the purpose restrictions on the funds that are entrusted to their units.
- II. The Office of the Controller reports transfer information annually to the senior vice president for Business and Finance. The purpose of these reports is to ensure correct classification of funds and compliance with spending restrictions.
- III. Allowable fund transfers.
 - A. The following transfers are allowable under most circumstances.
 1. Transfers among **current unrestricted funds** (0xxxxx, 1xxxxx, and Hxxxxx).
 2. Transfers from current unrestricted funds (0xxxxx, 1xxxxx, and Hxxxxx) to **plant funds** (81xxxx, 83xxxx, and 84xxxx).
 3. Transfers from **current restricted funds** (2xxxxx – 5xxxxx) to plant funds (81xxxx, 83xxxx, and 84xxxx), if in accordance with purpose restrictions set forth by the donor or other resources provider.
 4. Unused endowment income (2xxxxx) transferred to endowment principal (6xxxxx).
 - a. Referred to as "I to P," unused endowment income can be returned to principal each year.
 - b. The approval of the dean or VP is not required. Individual colleges and VP units may require this level of approval at their discretion.
 - c. Some gifted endowment funds require that all unused income distributions be reinvested in the endowment principal; others allow unused distribution amounts to be held for future use in the endowment income fund, or reinvested in endowment principal, at the discretion of the dean or director.
 - d. An [Endowment Transfer Form](#) is completed by the unit and sent directly to the Office of the Controller.
 5. Residual funds in an Ohio State University Office of Sponsored Programs (OSP) fixed-price contract to an OSP unrestricted fund or to a departmental unrestricted fund.
 6. Transfers of current use gifts (3xxxxx) to endowment principal funds (6xxxxx), if the purpose and restrictions of those funds are not in conflict.
 - a. Amounts transferred to endowment principal funds are invested in perpetuity and are unavailable for current use.
 - b. The [Endowment Transfer Form](#) is completed and sent directly to the Office of the Controller.
 7. Consolidation of current restricted funds (2xxxxx – 5xxxxx) that are similar in nature.
 8. Transfers between endowment income (2xxxxx) funds, if the purpose and restrictions of those funds are not in conflict.
 9. Transfers between current unrestricted (0xxxxx, 1xxxxx, and Hxxxxx) and current restricted funds (2xxxxx – 5xxxxx) that are intended to fund current-year expenditures. These transfers must be in accordance with the restricted purpose of the funds and cannot result in accumulations of unrestricted monies in restricted funds, or vice versa.
 10. Transfers of current unrestricted funds (0xxxxx, 1xxxxx, and Hxxxxx) to current restricted funds (2xxxxx – 5xxxxx) and transfers between similarly restricted funds are permissible to clear deficits in those funds.
 - IV. Unallowable fund transfers.
 - A. The following transfers are not allowed under most circumstances:
 1. Transfers between current unrestricted (0xxxxx, 1xxxxx, and Hxxxxx) and current restricted funds (2xxxxx – 5xxxxx) that are not intended to provide funding for current-year expenditures. Accumulation

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of unrestricted monies in restricted funds (or accumulation of restricted monies in unrestricted funds) is not permitted to prevent misclassifications of university equity balances.

2. Transfers of endowment principal (6xxxxx) to any other funds, unless specifically stated in the descriptions approved by the Board of Trustees.
 - a. The dean or VP must approve, in writing, all transfers from endowment principal.
 - b. The [Endowment](#) Transfer Form is completed and sent directly to the Office of the Controller.
3. Transfers of endowment income (2xxxxx) from any endowment fund that specifically states that unused income is reinvested to principal. Some donors make this condition explicit because they want additional income generated in future years.
4. Transfers from or to OSP grants (fund 590000). If required, expenditures can be transferred with the approval of the OSP.
5. Transfers to or from **agency funds** (9xxxxx). If required, expenditures should be transferred.
6. Residual funds from a fixed-price contract, usually managed by the OSP, cannot be transferred to restricted funds such as current use or another grant or contract. Residual funds are considered unrestricted, and therefore must be transferred to an unrestricted fund.

PROCEDURE

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I. Fund transfers.

- A. In some instances, it is necessary to transfer cash and equity between funds to conduct university business. This action is called a fund transfer in the general ledger (GL) system.
- B. There are two basic types of fund transfers in the GL system.
 1. The first type is a balance sheet transfer, which moves cash and equity from one fund (balance sheet) to another fund in the GL. Balance sheet transfers use the following account ranges:
 - a. Transfers In: Accounts 49800 – 49999, and
 - b. Transfers Out: Accounts 69800 – 69998.
 2. The second type of fund transfer is an income statement transfer, which also moves cash and equity, but is reflected via entries to 6799x “expense” accounts. In general, 6799x transfers may be used for transfers between current funds (unrestricted and restricted funds in the 011000 through 589999 fund ranges) and for transfers involving The Ohio State University Health System (Hxxxxx funds).
- C. Transfers involving general funds (funds in the 010000 through 049000 ranges) are processed as budget transfers in the GL. Budget transfers increase or decrease General Funds Spending Authority (GFSA) budget balances for specific chartfield combinations. If more than one fund is involved in a budget transfer (for example, a transfer from GFSA fund 011000 to earnings fund 110000), the transaction will also include fund transfer lines to move cash and equity between the funds.

II. Guiding principles for fund transfers.

- A. The most straightforward way to demonstrate compliance with purpose restrictions on funds is to charge all expenditures to the appropriate funds, even if that means charging portions of a transaction to several funds. In some cases, it is impractical to allocate detailed expenditures in this fashion. Used properly, fund transfers can allow expenditures to be funded from multiple sources, while retaining a clear “audit trail” of the ultimate use of restricted funds.
- B. Non-endowment transfers require approvals, both at the college/VP unit level and by the Office of Financial Planning and Analysis, via workflow in the general ledger. Endowment transfers must be requested through the use of the [Endowment Transfer Form](#) and are subject to approval by the Office of the Controller. For gifted endowment funds, transfers of unused income to principal are generally allowable as described below. Any other transfers involving these funds must be coordinated with University Development Gift Agreement

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and Endowment Services. Board approval is required to establish or to modify the terms of an endowment fund.

- C. Because the facts and circumstances that give rise to fund transfers are so varied, the Office of Financial Planning and Analysis must retain the discretion to disallow any transfers that, in its judgment, negatively impact the university's ability to account for the expenditure of restricted resources, result in the misclassification of equity balances, or conflict with other university policies.

III. Assistance with fund transfers.

- A. Due to the complexity of the financial system there may be circumstances when the appropriateness of a transfer is unclear. Whenever a question or concern arises the following offices will help a unit determine the best course of action.
1. Appropriate college/VP unit fiscal office;
 2. Office of Business and Finance, Endowment Administration, for transfers affecting endowment income or principal, including Foundation endowments;
 3. Office of University Development, Gift Agreement and Endowment Services, for transfers affecting the original intent for the funds that will require coordination with the donor; and/or
 4. Office of Financial Planning and Analysis for all other transfers.

IV. Transfers of unrestricted funds to endowment.

- A. Special considerations apply to requests to transfer unrestricted operating funds to endowment. See Fund Transfers-Unrestricted to Endowment, policy 4.32 for guidance on these transfers.

- V. For step-by-step instructions on processing budget and fund transfers including information on the appropriate accounts to use for fund transfers, see Budgeting ASSIST Online Help at:

assist.ocio.osu.edu/assistbudgeting84/WebHelp/start.htm

Responsibilities

Position or Office	Responsibilities
College/VP unit	<ol style="list-style-type: none"> 1. Determine if you wish to require dean/VP approval of transfer of unused endowment income to endowment principal. 2. Complete and submit a Request for Transfer to/from endowment Principal Funds as needed. 3. Approve non-endowment transfers as appropriate. 4. Consult on the appropriateness of fund transfers.
Dean/VP	<ol style="list-style-type: none"> 1. Approve transfers of funds as appropriate. 2. Approve in writing all transfers from endowment principal as appropriate.
Gift Agreement and Endowment Services, University Development	<ol style="list-style-type: none"> 1. Coordinate transfers of unused income to principal as appropriate. 2. Consult on the appropriateness of fund transfers affecting the original intent for the funds that will require coordination with the donor.
Endowment Administration	Consult on the appropriateness of fund transfers affecting endowment income or principal, including Foundation endowments.
the Controller	Approve requests for endowment transfers as appropriate.
Individuals with fund transfer approval authority	<ol style="list-style-type: none"> 1. Understand and adhere to the purpose restrictions on funds entrusted to your unit(s). 2. Complete and submit Endowment Transfer Forms to the Office of the Controller as appropriate. 3. Ensure transfers are in accordance with restricted purposes of funds and do not inappropriately mix restricted and unrestricted funds.
Office of the Controller	Transfer information annually to the SVP for Business and Finance.
Financial Planning and Analysis	<ol style="list-style-type: none"> 1. Disallow any transfer that negatively impact the university's ability to account for the expenditure of restricted resources, result in the misclassification of equity balances, or conflict with other university policies. 2. Approve non-endowment transfers as appropriate. 3. Consult on the appropriateness of fund transfers as appropriate.

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Resources

Budgeting ASSIST Online Help, assist.ocio.osu.edu/assistbudgeting84/WebHelp/start.htm

Fund Transfers – Unrestricted to Endowment, 4.32,

busfin.osu.edu/sites/default/files/432_fundtransfersunrestrictedfundsendowment.pdf

Endowment Transfer Form, busfin.osu.edu/sites/default/files/endowtransfer.pdf

Contacts

Subject	Office	Telephone	E-mail/URL
Appropriateness of fund transfers	Endowment Administration, Office of the Controller, Office of Business and Finance	614-292-6220	busfin.osu.edu/endowment-administration
Policy questions; fund transfers, appropriateness of fund transfers	Financial Planning and Analysis, Office of Business and Finance	614-292-6220	bf-fpa@osu.edu busfin.osu.edu/financial-planning
Gifted endowment funds; appropriateness of fund transfers	Gift Agreement and Endowment Services, University Development, Office of Advancement	614-292-2441	

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