



OBJECTIVE

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.

POLICY

Applies to: Budget/Fund Transfer Initiators and Approvers, Vice Presidents, Deans, Chairs and Directors
Issued: 07/1985
Revised: 07/2008

I. Overview and Responsibility

- A. In certain instances, transfers of cash and equity between funds in the university's accounting system are necessary to conduct university business. The university's policy on fund transfers is intended to provide flexibility to colleges and vice presidential units in managing their finances, while ensuring effective stewardship of restricted funds and appropriate classifications of fund balances (equity) in the university's financial reports.
- B. 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.
- C. The Office of the Controller reports transfer information annually to the senior vice president for Business & Finance. The purpose of these reports is to ensure correct classification of funds and compliance with spending restrictions.

II. Fund Accounting and Definitions

- A. Ohio State has a variety of funding sources, including tuition, state appropriations, sales of goods and services, grants, contracts, gifts and investment earnings, which provide financial resources for its teaching, research and public service missions.
- B. Fund Accounting is a system that groups similar funds based on their funding source and intended use. The university's PeopleSoft general ledger has over 20,000 funds, organized into various fund groups.
- C. Current Unrestricted Funds (0xxxxx, 1xxxxx and Hxxxxx) – are 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 OSU Health System operating funds.

- D. Current Restricted Funds (2xxxxx – 5xxxxx) – are 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.
- E. Loan Funds (75xxxx – 79xxxx) – are funds that are generally restricted to student loans and are not available to finance current operations.
- F. Endowment Principal Funds (6xxxxx) – are funds generally invested “in perpetuity” and are 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 at Ohio State, gifted endowments and operating endowments.

- 1. 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.
 - 2. Operating endowments - include funds from unrestricted or current restricted sources that have been internally designated to function as if they were endowments. These are sometimes referred to as “quasi-endowments”.
- G. Annuity/Life Income Funds (70xxxx – 74xxxx) – are 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.
 - H. Plant Funds (8xxxxx) – are funds set aside for capital improvements (buildings, major equipment, etc.) and include various central university funds used to account for property, plant & equipment assets and associated debt.
 - I. Agency Funds (9xxxxx) – are 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.



III. 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:
 - Transfers In: Accounts 49800 – 49999
 - 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 OSU 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.
- D. University overhead is not charged on fund transfers.

IV. 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. However, it is understood that, in some cases, it is impractical to allocate detailed expenditures in this fashion. Used properly, fund transfers can allow expenditure 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/vice presidential unit level and by the Office of Resource Planning, via workflow in the general ledger. Endowment transfers must be requested through the use of the “Request



for Transfer To/From Endowment Principal Funds" form and are subject to approval by the Office of the Treasurer. For gifted endowment funds, transfers of unused income to principal are generally allowable (as described below), but any other transfers involving these funds must be coordinated with the Donor Relations Office in University Development. 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 Resource Planning 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.

V. 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 it is 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 vice president is not required. However, individual colleges and vice presidential 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. A Request for Transfer to/from Endowment Principal Funds form is completed and sent directly to the Office of the Treasurer.



5. Residual funds in an Ohio State University Research Foundation (OSURF) fixed-price contract to an OSURF 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. Note that amounts transferred to endowment principal funds are invested in perpetuity and are unavailable for current use.
 - b. The Request for Transfer to/from Endowment Principal Funds form is completed and sent directly to the Office of the Treasurer.
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 in order to clear deficits in those funds.

VI. Unallowable Fund Transfers

- A. The following transfers are unallowable (not permitted) 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 of unrestricted monies in restricted funds (or accumulation of restricted monies in unrestricted funds) is not permitted in order 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 vice president must approve, in writing, all transfers from endowment principal.
 - b. The Request for Transfer to/from Endowment Principal Funds form is completed and sent directly to the Office of the Treasurer.
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 OSURF grants (fund 590000). If required, expenditures can be transferred with the approval of the Research Foundation.
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 OSURF, 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.

VII. Assistance with Fund Transfers

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/vice presidential unit fiscal office
2. Office of the Treasurer, Endowment Administration, for transfers affecting endowment income or principal, including Foundation endowments
3. Office of University Development, Donor Relations, for transfers affecting the original intent for the funds that will require coordination with the donor, or
4. Office of Resource Planning for all other transfers



VIII. Transfers of Unrestricted Funds to Endowment

Special considerations apply to requests to transfer unrestricted operating funds to endowment. See related Policy 4.3x for guidance on these transfers.

PROCEDURE

Applies to: Budget/Fund Transfer Initiators and Approvers, Vice Presidents, Deans,
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For step-by-step instructions on processing budget and fund transfers, see OIT ASSIST pages at: <https://assist-erp.osu.edu/assistbudgeting84/WebHelp/start.htm>

A job aid, which includes information on the appropriate accounts to use for fund transfers, is available at:
https://assist-erp.osu.edu/assistgl84/WebHelp/Business_Processes/process_general_journal_entries.htm

RESOURCES

Ohio State University, Office of the Treasurer, Endowment Administration, 614-292-6261
Ohio State University, Office of Resource Planning, 614-292-9990
Ohio State University, Office of University Development, Donor Relations, 614-292-9858