



UNIVERSITY OF RICHMOND

Policy Manual

Policy #:	FIN-15002	Policy Title:	Effective Use of Institutional Funds
Effective:	08/15/2022	Responsible Office:	Controller's Office
Date Approved:	08/12/2022	Approval:	Executive Vice President and Chief Operating Officer
Replaces Policy Dated:	N/A	Responsible University Officials:	Senior Associate Vice President and University Controller

PURPOSE:

The University of Richmond is the beneficiary of many types of funds. In order to ensure the most effective use of University resources to benefit students and advance the academic mission, to support effective donor stewardship, and to maintain compliance with Generally Accepted Accounting Principles (GAAP), this policy outlines how fiscal managers should determine the most appropriate source of funds for an expenditure.

SCOPE:

This policy applies to the University of Richmond and all of its Affiliates. As used in this policy, the term "Affiliates" means organizations or entities in which the University owns a controlling interest or has the right to elect the majority of the entity's governing board.

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POLICY STATEMENT:

FIN-15002.1 – Definitions

External Grant Funds – Funds received by the University from governmental or private sources that may be used only for specific purposes or projects identified by the entity, and usually within a specified timeframe. The restrictions are typically defined in a grant agreement or similar document.

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Donor Restricted Funds – University funds that may be used only for a specific purpose or project as agreed to by the University and the donor or external entity providing those funds. The restrictions are often specified in a gift instrument or other documentation. Examples of donor restricted funds include current use gifts, gifts for designated capital projects, and distributions from donor-restricted endowment funds.

Unrestricted Funds – University funds that are not governed by externally imposed restrictions, which may be used for any legitimate University business purpose in accordance with applicable institutional policies. These funds are typically generated as a result of the University’s operating activities, such as teaching, provision of student housing, and similar activities.

Departmental Funds – A term used to collectively describe certain external grants, unrestricted and donor restricted funds available to support the activities of a specific department, school, division, activity or other operating unit of the University. This term does not include external grant funds that are awarded to the University, as a result of a proposal or submission by a faculty member, to support that faculty member’s scholarly research or activities.

Fiscal Initiators – Any employee who initiates the expenditure of University funds.

Fiscal Contacts – University employees who are responsible for the day-to-day activities and transactions related to departmental funds.

Fiscal Managers – University employees who have oversight of and approval authority with respect to specific departmental funds.

FIN-15002.2 – Policy

The University has a legal obligation to honor externally specified directives regarding the use of their gifts and comply with applicable accounting rules and regulations. Consequently, all donor-restricted gifts and external grant awards must be used for purposes consistent with those stated intentions and spent in a timely manner.

To achieve this objective, funds that have the most restrictions must be spent down first, to the extent possible, to support programs and activities that satisfy the restriction. Such spending also ensures that remaining available funding provides the most flexibility to the department, school, division and University, to further advance the University’s mission.

In practice, this means that available funds should be expended in the following order, provided that the expenses are consistent with permissible uses of those funds:

1. Externally Funded Grants
2. Donor Restricted Funds
3. Unrestricted Funds

Fiscal managers should develop a spending plan for departmental funds each year. This plan should align with the annual budget provided by the Office of Planning and Budget. The accumulation of departmental funds, particularly donor restricted funds, is undesirable in that it inhibits the effective stewardship of donors and accurate reporting.

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The President, Deans and Vice Presidents may receive donor restricted funds intended to be used at their discretion to support special programs or initiatives. As such, it is permissible to leave some portion of these discretionary funds unspent for a reasonable period of time, in order to create flexibility for these opportunities. Spending plans for these funds should be developed in consultation with the Office of Planning and Budget, and the Executive Vice-President & Provost or the Executive Vice-President & Chief Operating Office, as appropriate.

FIN-15002.3 – Roles and Responsibilities

Fiscal Initiators generate expenses, but are not responsible for selecting the appropriate source of funds for an expenditure they initiate.

Fiscal Contacts are responsible for identifying the proper source of funds on behalf of Fiscal Initiators. Fiscal Contacts are also responsible for ensuring that more restrictive funding sources are utilized first, if the restrictions permit.

Fiscal Managers are responsible for ensuring that a budget plan is in place for the use of all departmental funds, including externally funded grants and donor-restricted funds, and for monitoring performance throughout the year against that plan.

FIN-15002.4 – Applicable Regulations & Accreditation Standards

FASB ASC 958-205-45-11

RELATED POLICIES:

FIN-4101 – Use of University Funds and Financial Responsibilities

POLICY BACKGROUND:

This 2022 policy codifies longstanding University practice, consistent with GAAP. It was reviewed by President's Cabinet prior to approval for inclusion in the Policy Library.

POLICY CONTACTS:

Associate Vice President, Financial Planning and Budget

Sr. Associate Vice President and University Controller