



Budget Office

BUDGET MANAGER MEETING

SEPTEMBER 15, 2020

Agenda

- Management of Restricted Gifts and Endowment Payout - John Kroll
- Announcements/Updates - Kathleen Fabiny





THE UNIVERSITY OF CHICAGO

MANAGEMENT OF RESTRICTED GIFTS AND ENDOWMENT PAYOUT

PRESENTATION TO BUDGET
ADMINISTRATORS
SEPTEMBER 2020

Restricted Gifts and Endowment Payout Accounting Treatment

Restricted gifts and endowment payout fall into two general categories:

Loosely restricted:

- Typically restricted for general University mission related purposes not funded by restricted sources.
- Examples include...scholarship support, purchase of library books, cancer research, etc.
- Gifts and payout that are loosely restricted are “counted” as operating income when cash is received

Highly restricted:

- Generally, this type of gift is both large and very restricted
- As a result, there are relatively few of these highly restricted gifts that require special accounting and monitoring....less than 20 University-wide
- Because of both the size of the gift and its highly restricted nature, these types of gifts are initially classified for accounting purposes as “non-operating” and not recognized as “operating income” in the financial statements until spent in accordance with the terms of the gift
- Examples include.....
- As a result, care needs to be taken to charge amounts against the gift based on actual expenditures versus budgeted or projected amounts

On-Going Monitoring

- Based on a management letter comment and recommendation from our external auditors KPMG, the University needs to more closely monitor expenditures and related transfers associated with all types of restricted gifts and endowment payout...especially highly restricted gifts
- Since there are relatively few of these large highly restricted gifts, care needs to be taken on how they are spent to avoid any appearance that use of these gifts is driven by budget management versus being used in accordance with the term(s) of the gifts
- With this in mind...and to play it safe:
 - Financial Services should be consulted before any highly restricted gift transaction in excess of \$50,000 is processed. *Open for discussion*
 - A detailed analysis should be provided to Financial Services on a quarterly basis that details each transaction impacting the restricted account. *Also open for discussion*
- A specific analysis of highly restricted gifts was presented to the Divisions and Schools having one or more of these types of gifts.
- These types of gifts are receiving “special attention” from KPMG so care must be taken