

A collage of four images on the left side of the slide: a wide view of a green lawn and buildings, a building with a tower, a classical archway, and a close-up of a building facade.

UNIVERSITY OF ILLINOIS

AT URBANA-CHAMPAIGN



2013 BUSINESS LEADERSHIP CONFERENCE

Fund Accounting 101

March 11, 2013

9:00 – 10:15

1:45 – 3:00

Destination Success

Workshop Presenters

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Please ...

- Turn off cell phones.
- Avoid side conversations.
- Hold Questions Until the End of the Presentation
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.

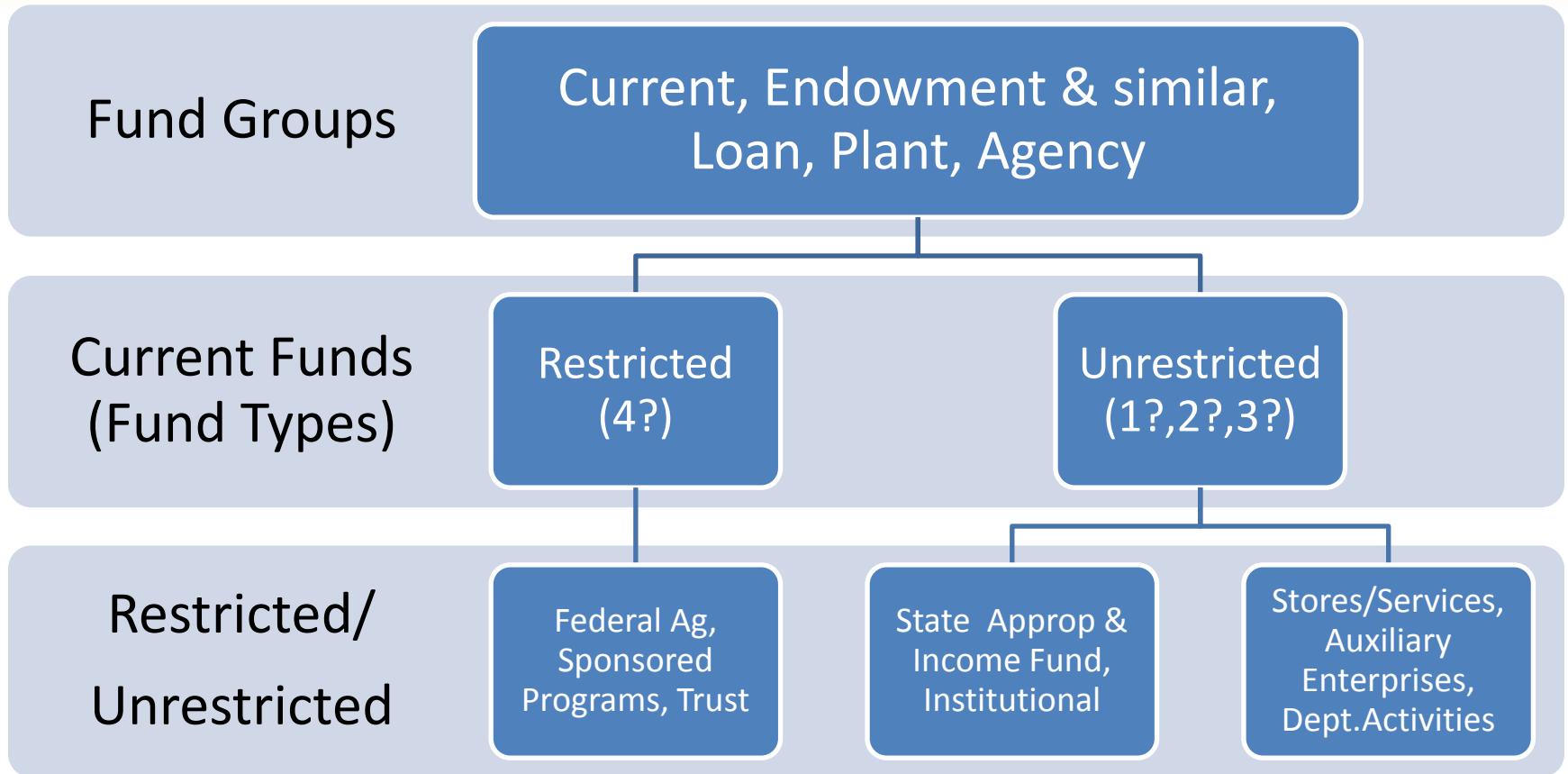
Workshop Objectives

- Overview of University Accounting Environment
- Overview of State, ICR, Self-Supporting, and Gift Funds
 - Source, Identification, Usage, Best Practices and Common Issues
- Resources
- Questions

University Accounting Environment



University Accounting Environment



University Accounting Environment

- **Fund Accounting – Definition**

- An accounting system used by non-profit & governmental organizations which emphasizes accountability (not profitability) to ensure proper stewardship and expenditure of financial resources received in compliance with applicable regulations, guidelines and restrictions associated with the funds received.
- Financial resources received are recorded in a collection of different fund types, with each fund type having a different purpose depending on the source of revenue.

University Accounting Environment

- **Fund Accounting – Definition (cont.)**
 - Segregating these financial resources into separate fund types helps us properly classify and monitor resources appropriated, awarded, contributed, and entrusted to the University
 - Properly classifying and monitoring these financial resources into separate fund types enables us to compile accurate financial statements which help illustrate how the University meets its mission of teaching, research, public service, and economic development

University Accounting Environment

- **Fund Accounting – Examples of Fund Types**
 - **State** (1000YY – 1800YY, where YY = applicable FY)
 - **Institutional Cost Recovery (ICR)** (200250)
 - **Educational Admin Allowance (EAA)** (20020X)
 - **Royalty** (200258)
 - **Self-Supporting** (3XXXXXX)
 - **Grant** (4XXXXXX – Federal & 5XXXXXX – Non-Federal)
 - **Endowment Income** (61XXXX)
 - **Gift** (62XXXX, 63XXXX)
 - **Plant** (7XXXXXX)
 - **Loan** (8XXXXXX)
 - **Agency** (9XXXXXX)

University Accounting Environment

- **FOAPAL**

- **Fund (Source):** Where is the money from?
- **Organization (Dept):** Who is earning/spending \$?
- **Account (Classification):** What type of expense was purchased or what type of revenue was earned?
- **Program (Purpose):** How will the activity be presented on our financial statements?
- **Activity (optional):** Tracking short term projects
- **Location (optional):** Identify physical location of assets

University Accounting Environment

- **Financial Statement Presentation**

- The University's financial statements are prepared on an accrual basis in accordance with the Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities.
- Accrual basis of accounting requires recognition of revenue when earned (not received), and recognition of expenses when incurred (not paid).
- The University's Fiscal Year runs from July 1 – June 30 each year.

University Accounting Environment

- **Decentralized Accounting Environment**

- University's accounting environment is decentralized, and departmental officers have been delegated the responsibility for properly managing their financial information to ensure accurate reporting.
- Accurate financial information is critical to the integrity of the University's financial statements.
- Very important for departmental officers to ensure financial information is properly recorded in Banner for inclusion in financial statements.

Overview of State Funds

- **Where do State Funds come from?**
 - Income Fund
 - Tuition, Fees, Investment Income, and Miscellaneous Income (e.g., Library Fines, Lost Book Fees, Late Payment Fees, etc.)
 - Various Appropriations Received from the State
 - We do not receive cash up-front; receive appropriations from the State on a reimbursement basis after we've incurred the expenditures (approx. receivable from the State is currently around \$460M).
 - UAFR submits numerous individual state expenditures to state via a detailed state clearing vouchering process.
 - When State approval is granted, a reimbursement payment is eventually issued.

Overview of State Funds

- **How are State Funds Identified in Banner?**
 - State funds can be identified in Banner by examining the “Fund” portion of the C-FOAP.
 - The fund range that state funds fall in is between 1000YY-1800YY (with the “YY” representing the fiscal year applicable to that particular state fund).
 - The primary state fund for FY13 is 100013.
 - Since everyone uses the 100013 fund, you would need to identify your share of state budget by combining the general 100013 state fund with your unit’s org & program code combination (e.g., C-100013-org-program).

Overview of State Funds

- **What type of transactions are allowed on State funds?**
 - Expenses must relate to the applicable appropriation year which that State fund was established for
 - For example, all expenses on 100013 must relate to expenditures for FY13 business, all expenses on 100012 must relate to FY12 business, etc.
 - Alcohol & late payment penalty charges not allowed
 - See [Section 8.13](#) of OBFS Policy for more details

Overview of State Funds

- **Explanation of Lapse Period**

- The “lapse period” runs from July 1 – August 31 after the end of each fiscal year, and this is the time allowed to us by the State to wrap up our spending of the prior year’s state fund.
- Thus, state funds are open for 14 months.
 - For example, the 100013 fund is open from 7/1/12 – 8/31/13.
- Note that we can post expenses to the prior year state fund during the lapse period only if the expense relates to prior year business and was contracted for or received prior to July 1.

Overview of State Funds

- **Explanation of Lapse Period (cont.)**
 - Two appropriation year funds are open during July & August, so we need to be careful to use the correct fund for each transaction, and only post expenditures relating to the applicable fiscal year to each appropriation year's state fund.
 - For example, from 7/1/13 – 8/31/13, both the 100013 & 100014 funds will be open, so we need to be careful when posting state expenses to be sure we are using the correct fund depending on what time period the expense relates to.
 - So, last day to make correcting entries to prior year state fund is 8/31.

Overview of State Funds

- **Best Practices and Common Issues**

- Funds are budgeted to your FOP from the Budget Office.
 - Use Detailed Operating Ledger Statement or FGIBDST
- Transferring State Funding to Another Unit
 - Work with Campus Budget Office via the [BAR form](#)
- Funding Surplus/Deficit
 - UIUC Budget Office works with colleges after period 12
- Reconcile monthly especially June, July and mid-August
- Use appropriate account codes which accurately describe the expense.
 - For example, payments to vendor vs. employee reimbursement
- Provide detailed description in TEM, P-Card, iBuy, etc.

Overview of ICR Funds

- **Where do ICR Funds Come From?**

- Indirect Cost Recovery funds (or “ICR Funds”, as they are commonly referred to) are funds which the University collects from the indirect cost recovery (F&A) rates charged to grant funds.
- These fees are charged to cover the University's overhead costs, and the amounts billed to grant funds are based on a percentage of eligible direct expenses.
- These indirect costs are charged as an expense to the grant fund using an expense account code in the 1981xx account code range, and revenue is recognized in the ICR fund using an account code in the 3088xx range.
- A portion of the revenue is allocated back to departments from the applicable campus Budget Office as expense budget.

Overview of ICR Funds

- **How are ICR funds identified in Banner?**
 - Indirect Cost Recovery funds can be identified in Banner by examining the Fund portion of the C-FOAP string.
 - The fund code for ICR funds is 200250.
 - This fund has a 2C ("Institutional Costs Recovered") fund type.
 - All units use this same 200250 fund code along with their unit specific organization and program codes to identify and track their specific departmental activity (similar to how state funds work).

Overview of ICR Funds

- **What type of transactions are allowed on ICR Funds?**
 - The primary purpose of ICR funds is to provide unrestricted support for a unit's core research and administrative operations.
 - ICR funding may also be used for expenditures such as student scholarships/fellowships/awards; student services; operations of maintenance and plant; and public service.
 - However, since ICR funding is generated from indirect cost recoveries from grant funds, it should not be used for instructional activities.

Overview of ICR Funds

- **Best Practices and Common Issues**

- Funds are budgeted to your FOP by the Budget Office.
 - Use Detailed Operating Ledger Statement or FGIBDST
- Use program codes to help track spending for different ICR funded projects.
 - For example, research activities for Professor A would use one program code, while research activities for Professor B would use a different program code
- Proper use of ICR funding
 - Used primarily for supporting a unit's core research and administrative operations
- Use [BAR forms](#) via the Budget Office to transfer ICR funding to another unit.
- Unspent ICR Budgets roll to the next fiscal year.

Overview of Self-Supporting Funds

- **What are Self-Supporting Funds?**
 - Self-supporting funds are used to record revenue and expenses generated from the sale of products or services to University departments, students/faculty/staff, or the general public which support and enhance the programs and missions of the University.
 - We have a separate session on focusing solely on self-supporting funds if you'd like more details.

Overview of Self-Supporting Funds

- **How are Self-Supporting Funds Identified in Banner?**
 - The fund codes for self-supporting funds fall into the numeric range of 300000 – 399999.
 - Self-supporting funds have fund types of either 3E (Storerooms & Services), 3J (Auxiliary Enterprises Not Under Indenture), 3M (Auxiliary Enterprises Under Indenture), or 3Q (Departmental Activities).

Overview of Self-Supporting Funds

- **What type of transactions are allowed on self-supporting funds?**
 - The State Finance Act restricts the use of these funds to the support, maintenance, and development of the self-supporting activity generating the revenue in the fund.
 - So, expenditures are restricted to those necessary to fund the activities that generate the revenue.
 - Self-supporting funds cannot be generated or used by units for discretionary purposes.

Overview of Self-Supporting Funds

- **Best Practices and Common Issues**

- Funding is received through sales recorded to your Fund code.
 - Use Detailed General Ledger Statement or FGITBSR to see your fund's fund balance
- Annual review of your rates charged to customers to ensure adequate funding and no excess funds.
- Year End Fact Sheet—become familiar with the information you need to report prior to year end so that you can develop a method for gathering and report the information required.
 - Use Banner AR for customers you are extending credit
 - Develop strong internal controls over inventory items and equipment usage and location. Value of your inventory must be as of June 30th.
 - Deferred Revenue—money received in the fiscal year prior to service being provided.

Overview of Gift Funds

- **What are Gift Funds?**

- Gift funds are used to record revenue and expenditures related to charitable donations made to the University from individuals, corporations, etc. for a particular unit and/or purpose.
- A gift is a voluntary contribution made to the University, for which the donor receives no bargained-for benefit, and requires nothing in exchange beyond an assurance that the intent of the contribution will be honored.

Overview of Gift Funds

- **How are Gift funds identified in Banner?**
 - Gift funds have a 4M ("Trust - Private Gifts") fund type.
 - These 4M funds have a fund number that falls into the 620000 - 699999 range.
 - However, note that other fund types also fall within this numerical range, such as the 4S - Medical Service Plan funds, so this numerical range is not limited strictly to gift funds

Overview of Gift Funds

- **What types of transactions are allowed on Gift Funds?**
 - Expenses posted to gift funds must comply with University policies & guidelines as well as the specified donor intent restrictions associated with the fund
 - See UIF Online Database (<http://online.uif.uillinois.edu/>) for donor intent restrictions – critical to have access to this database
 - Gift expenses are often audited and investigated after the fact, so be sure to fully document the purpose of the expenses on the related IV, P-Card expense, FOATEXT of the JV, etc.
 - Also, be sure to use the appropriate expense account code when posting expenses (important for all fund types)

Overview of Gift Funds

• Best Practices and Common Issues

- Funding is primarily received through gift sweeps from the Foundation
 - Use Detailed Operating Ledger Statement or FGIBDST to see your fund's fund balance.
- Fund Transfers to/from Gift Funds
 - Only within the same fund type (e.g., 4M to 4M, not 4J to 4M)
 - Donor intent issues (e.g., making funds less restricted)
- Depositing Cash/Checks through Cashiering (instead of UIF)
 - Allowable if the deposit is a reimbursement of an expense incurred on gift fund
 - Should not be used for miscellaneous income deposits
- Stagnant Gift Funds
 - Old, unused gift funds with stagnant cash or deficit balances
 - Look into clearing deficits and/or utilizing the balances and terminate the fund if no longer needed.
- Rogue Org & Program Code Balances
 - Check rogue reports to ensure transactions on your fund are posting to correct default org & program codes.
- Obtaining Access to UIF Database (<http://online.uif.uillinois.edu/>)
 - Critical in order to properly monitor donor intent of your various gift funds to ensure expenses are in line with donor intent (gift funds are frequently audited).

Resources

- New Business Managers: [Welcome and Orientation](#)
- University Accounting [FAQs](#)
- Policy & Procedures
 - Section 11 [Gift and Endowments](#)
 - Section 13 [Accounting](#)
 - Section 22 [Self-Support/Revenue Generating](#)
- OBFS Who to Ask
 - <http://www.obfs.uillinois.edu/about-obfs/who-to-ask/>
- OBFS Job Aids and Training Materials
 - [Finance Systems Overview](#)
 - [Accounting & Financial Reporting](#)
- University of Illinois Foundation: [UIF Online Database](#)
- [Finding your Balances](#)

Resources

- FOAPAL String [Discrepancy Reports](#):
 - NACUBO-Fund Type and Rogue FOAPALs
- FOAPAL String [Maintenance Reports](#):
 - Unused FOPAL Codes and Multiple-Person FINMGR/GLDC contacts
- [Accounting Reference Materials](#):
 - FAQs, Guide to Banner Finance forms, Understanding Debits and credits
- Month End Close Schedule:
 - <http://www.obfs.uillinois.edu/accounting-financial-reporting/month-end-closing-schedule/>
- Fiscal Year End: [Closing/Opening Procedures](#)
- FCIAA: [Fiscal Control and Internal Auditing Act](#)
- University of Illinois: [Annual Financial Reports](#)

Questions / Concerns?

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