

UNIVERSITY *of* PENNSYLVANIA

Operating Gifts, Endowments and Reporting User Guide

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Objectives

Upon completion of this section, you will:

-  have an overview of the gift process
-  learn what is not a gift
-  learn the difference between a Gift and a Grant
-  understand what is an endowment
-  learn about Gift Agreements
-  learn about ATLAS Gift Transmittal forms
-  learn how to create a new gift fund
-  see how to view the 'fund attributes' of a gift fund
-  learn how gifts are received and recorded
-  see how to access gift information in BEN Financials
-  learn about 'revenue reclassification'
-  understand how to budget gift funds
-  learn how to close a gift fund
-  learn how gifts are invested
-  understand the 'spending rule'
-  see how endowment income is posted
-  review of reports for gifts and endowments

Overview of BEN

Business Enterprise Network (BEN)

Penn's business and financial management systems which includes

- Web-enabled applications and tools
- Support structure

Desktop Configuration

Consistent with current University standards

http://www.finance.upenn.edu/ben/benfin/desktop_req/

Local Support Providers (LSP's)

<http://www.upenn.edu/computing/view/support/staff.html>

- List of primary computer support assigned by Center and by Department

Access/Security

Penn eForms

<http://www.upenn.edu/computing/da/eforms/>

Important Web Addresses

U@Penn Portal

http://medley.isc-seo.upenn.edu/penn_portal/u@penn.php

- Access to a wide variety of University web sites and information including those listed below

BEN Financials Homepage

<http://benapps.isc-seo.upenn.edu>

- Access to BEN Financials and BEN Deposits

Business Enterprise Network

<http://www.finance.upenn.edu/ben>

- News, Calendar, BEN Reps, BEN Knows, Frequently Asked Questions, Support Information, etc.

Financial Training Department Web Page

<http://www.finance.upenn.edu/ftd/>

- Information regarding courses offered, register for training, view the Bottom Line Newsletter, etc.

Audit and Compliance Web Page

<http://www.upenn.edu/audit/>

- Information on controls, compliance mechanisms, and technologies to manage risk as well as providing guidance on the stewardship of University resources

Responsibility Center Management (RCM)

<http://www.finance.upenn.edu/comptroller/rcm/index.shtml>

- Information about BEN Financials Reports, Fund Aggregations & Object Code Aggregations, etc.

Overview of BEN (continued)

Need Help?

Gift and Investment Services

http://www.finance.upenn.edu/treasurer/contacts/InvestmentGift_Office_contacts.asp

BEN Financials

Dial 6-HELP (6-4357 or 215/746-4357)

- Enter your two-digit School or Center code
- BEN Helps is available 7:00 a.m. to 8 p.m. Monday through Friday

BEN Knows Web Page

<http://www.finance.upenn.edu/benknows/>

- Web site to browse and search for possible solutions to your BEN Financials questions

Penn eForms

Penn eForms are required for entry to most University financial systems. These eForms should be processed promptly to ensure system access following training. **If an eForm has not been processed within 60 days or more of attending a training course, you will be required to repeat the course to obtain access.**

Glossary of Terms

Account	Refers to any 26-digit chart of account combination that can be used with a given fund
Asset Liquidation	Selling the assets in NAC 0 of an endowment fund (or NAC 1 after the appropriate event or time period in a term endowment) in order to obtain spendable cash. This should be a last resort as it decreases the future spendable income produced by the endowment fund.
Book Value	Base value of original gift or income on that gift – does not take into account gains/losses on that value
Carry-forward	Surplus or deficit balance from a prior fiscal year
Derived Cash	Available cash balance of an endowment fund at any given time. Found only in NAC 0 unless the account is a manual reclass; then there may be cash in NAC 1 as well.
Encumbrance	Money set aside in the budget for a transaction that has not yet occurred
Endowment	Donor has stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income
Fund	Refers to the six-digit BEN Financials FUND number
Gift	Voluntary transfer of things of value where the University makes no commitment of resources or services in return for gifts, other than agreeing to put the gift to use as the donor designates
Grant	A transfer which is designed to support a specific project which involves a specific commitment by the University and may require formal reporting, disposition of property or the return of unexpended monies.
Indirect Cost Recovery	A charge for administrative costs – transferred to School's General Operating Fund (formerly known as Overhead)
Hyperion Planning	University budget and resource planning system
Realized Gain/Loss	Increases or decreases in the current market value of an endowment as a result of sale of investments held by that endowment.
Spending Rule	A University policy which specifies a fixed percentage of the current market value of an endowment as the amount which can be spent during the current fiscal year
Unrealized Gain/Loss	Increases or decreases in the current market value of an endowment that would occur if the investments held by that endowment were sold ("paper" gain or loss)

Common Abbreviations

AIF	Associated Investments Fund
BBA	Budget Balance Available
BEN	Business Enterprise Network
GAA	Gifts Accounting and Administration
CNAC	Center Net Asset Class – first segment of a BEN account number
COA	Chart of Accounts
CREF	Center Reference – seventh (last) segment of a BEN account number
FASB	Financial Accounting Standards Board
FFE	Funds Functioning as Endowment; a “Quasi-Endowment”, Board designated
FY	Fiscal Year
FYTD	Fiscal Year to Date
GL	General Ledger
NAC	Net Asset Class
ICR	Indirect Cost Recovery
OBJ	Object Code – fifth segment of a BEN account number; defines the type of transaction
ORG	Organization – second segment of a BEN account number; “Department”
PROG	Program Code – sixth segment of a BEN account number
RESP ORG	Responsible Organization
TIF	Temporary Investments Fund

What is a Gift?

A gift is a voluntary transfer of things of value, usually in the form of cash, checks, securities, real property, or personal property. Gifts may come from individuals, corporations, foundations, and other sources. The University of Pennsylvania can use gifts for unrestricted and restricted purposes, as designated by the donor. The University makes no commitment of resources or services in return for gifts, other than agreeing to put the gift to use as the donor designates.¹

Unrestricted Gifts

Unrestricted gifts are resources received from a donor where there are no restrictions or conditions on how the resources may be used.

Restricted Gifts

Restricted gifts refer to resources received from a donor where the donor has placed limitations or conditions on how or when the resources can be used.

Gifts may be used for

- Operations (e.g., salary expenses, publish a newsletter)
- Capital (e.g., gift to build a building)
- Endowment (e.g., gift to establish a professorship)

In the case of an **operating** or **capital** gift, a gift fund (BEN Financials fund number 6xxxxx; 65xxxx for a capital gift) will be established. In the case of an **endowment** gift, an endowment fund (BEN Financials fund number 4xxxxx) will be established.

The Financial Accounting Standards Board (FASB), which governs the accounting activity of the University of Pennsylvania and other entities, established standards which include the requirement that all financial transactions be classified into three "net asset" categories according to donor-imposed restrictions. That requirement is reflected in the "Net Asset Class" value (part of the Center Net Asset Class [CNAC] account segment) in BEN Financials for each of the three net asset categories:

1. Unrestricted – Net Asset Class (NAC) 0
2. Temporarily Restricted – Net Asset Class (NAC) 1
3. Permanently Restricted – Net Asset Class (NAC) 2

The Gift Agreement determines into which asset class a contribution is recorded. Once donor restrictions are met, the net assets can be reclassified. Only endowment (4xxxxx) funds may have gifts in NAC 2 – unrestricted gift funds (63xxxx) must have all gifts recorded to NAC 0 - restricted operating gifts funds (60xxxx) must have all gifts recorded to NAC 1.

¹ Taylor, John H., *Advancement Services Research and Technology Support for Fund Raising*

What is Not a Gift?

Not all money the University receives is for gifts. Money given in exchange for goods or services rendered are clearly not gifts, e.g. tuition or tickets to a Penn basketball game or to a performance at Annenberg. Nor are rebate checks for products purchased in accordance with University procurement guidelines. The tricky area occurs when the University “receives” money from a sponsoring agency – in this case, a determination needs to be made as to whether the check is a grant or a gift.

Grants vs. Gifts

According to University Financial Policy 2101 (“Administration of Sponsored Projects”), any project which meets **any** of the following criteria is considered to be a “sponsored project” and is administered through the Office of Research Services (BEN Financials fund 5xxxxx).

- The project commits the University to a specific line of scholarly or scientific inquiry, typically documented by a statement of work
- A specific commitment is made regarding the level of personnel effort, deliverables, or milestones
- Project activities are budgeted, and the award includes conditions for specific formal fiscal reports and/or invoicing
- The project requires that unexpended funds be returned to the funding source at the end of the project period
- The agreement provides for the disposition of either tangible property (e.g., equipment, records, technical reports, theses or dissertations) or intangible property (e.g., inventions, copyrights or rights in data) which may result from the project

If you have a sum of money and are unsure as to whether it should be considered a grant or a gift, contact:

Office of Research Services

<http://www.upenn.edu/researchservices/contacts.html>

or

Office of Gift and Investment Services

http://www.finance.upenn.edu/treasurer/contacts/InvestmentGift_Office_contacts.asp

What is an Endowment?

An endowment is a “permanent fund of property or money bestowed upon an institution or a person, the income of which is used to serve the specific purpose for which the gift was intended”.² Essentially an endowment is a gift fund where the original gift is invested. The income derived from the investment is what is spent, not the gift itself.

There are three main categories of endowments funds at the University of Pennsylvania.

True Endowment

True endowments are gifts where the donor has stipulated, as a condition of the gift instrument, that:

- the principal is to be maintained inviolate and in perpetuity
- the principal is to be invested for the purpose of producing present and future income which may either be expended or added back to principal

Examples of true endowments would include an endowed professorship or a permanent endowment related to a specific academic program. The original gift and principal is recorded in Net Asset Class (NAC) 2 (Permanently Restricted)

Term Endowment

Term endowments are gifts where the donor has designated the gift as endowment, but has given the University the right to invade principal either upon passage of time or the occurrence of an event. This is sometimes referred to as a “wasting” endowment, because the principal can begin to waste away after the occurrence of the event or lapse of the specified period of time. The original gift and principal is recorded in Net Asset Class (NAC) 1 (Temporarily Restricted)

Funds Functioning as Endowment (FFE)/Quasi-Endowment

The three terms “Funds Functioning as Endowment”, “Board Designated as an Endowment” and “Quasi-Endowment” refer to gifts the Trustees of the University of Pennsylvania, rather than donors, have determined are to be invested as endowment. Since these funds are internally designated rather than externally restricted, the Trustees have the right to decide at any time to expend the principal, pending an internally designated 5 year holding period. The gift and principal for these funds is recorded in Net Asset Class (NAC) 0 (Unrestricted).

In order to get an accurate picture of any type of endowment, it is necessary to run a 114.ORG report to see activity in all net asset classes. 10X.ORG reports do not provide enough detail – see the Reporting section of this User Guide for more information.

² Dictionary of Business Terms

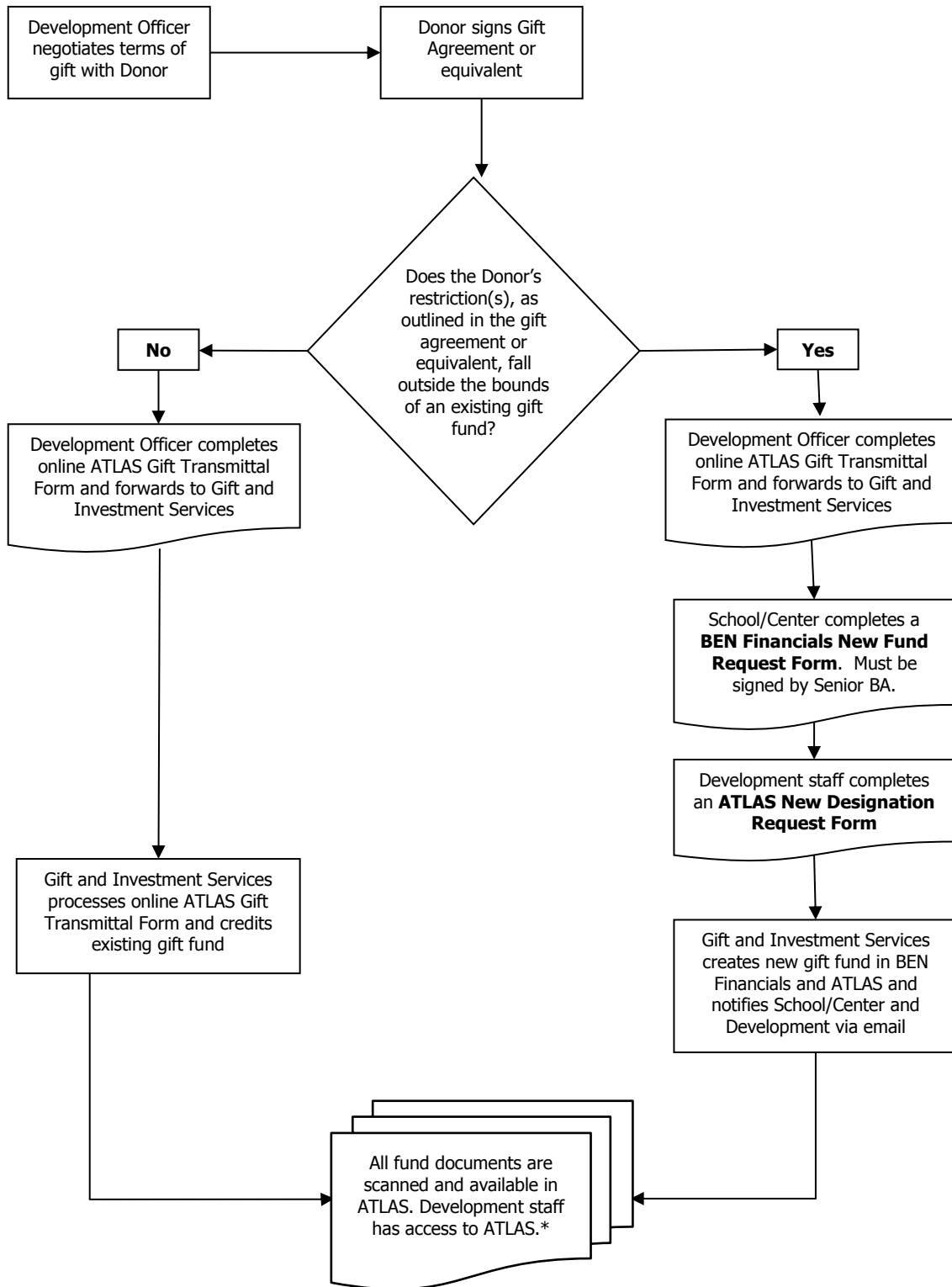
Governance of Endowments in the Commonwealth of Pennsylvania

Unlike most States, Pennsylvania is not governed under UMIFA or UPMIFA acts, but rather by the Pennsylvania Principal and Income Act.

The Act basically allows for Endowment spending to be between 2 and 7% of the average three (3) year market value of the endowment's assets. This amount is deemed income for distribution purposes and is discussed in detail in the 'Spending Rule' section.

The Act also names authority of Endowment Governance to the Office of the Attorney General's (AG) Office. Only the AG can rule on changes to the donor agreement. Once a donor gives the gift, he/she relinquishes control over the gift. Any amendments need approval by the AG, unless original gift agreement provides for changes to be approved by the University and donor. The AG can rule on any fund with a value under \$100,000 independent of court action. For Endowments over \$100,000 both AG approval and Commonwealth court approval is necessary. This court is referred to as 'Orphan's Court'.

Overview of the Gift Process



* Senior Business Administrators can obtain access to ATLAS by completing the on-line course "Fund Documents for Business Administrators" in [KnowledgeLink](#).

Gift Agreements

Gift agreements should include the purpose and use of the fund, payment terms, investment instructions (if endowment), and stewardship obligations. They provide immediate gratification for the donor, flexibility for the school, and contain required legal language. Generally, endowment funds will have a formal gift agreement. Operating gifts may have a formal agreement or other appropriate donor documentation. All original gift agreements should be submitted to Gift and Investment Services with a copy of the online ATLAS Gift Transmittal Form and a BEN Financials New Fund Request Form together with an ATLAS New Designation Request Form if a new fund is being established.

Sample Gift Agreement

PROFESSORSHIP – ENDOWED-BINDING (\$3 MILLION OR ABOVE)
Model Gift Agreement (Draft 2-28-2015)

AGREEMENT TO ENDOW
THE NAME OF PROFESSORSHIP PROFESSORSHIP
AT THE NAME OF SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

For the last two and a half centuries, the University of Pennsylvania ("University") has thrived in large part due to the philanthropic support of alumni and friends. Many donors have made gifts providing immediate funding to an area of interest. Others have planned for the long-term future through gifts to the University's endowment. In order to ensure that donors' gifts are used for the intended purpose, to allow the University to plan effectively, and to comply with accounting and auditing requirements, the University and its donors execute legally binding gift agreements for commitments over \$25,000.

The University gratefully acknowledges the generosity of name(s) of donor(s) ("Donor"), who through this Agreement endows the name of professorship ("Professorship"), name of field name of department at the name of school of the University. In order to protect the interests of both the Donor and the University, we agree as follows:

1. **Donor's Commitment:** The Donor is making a charitable gift of \$amount written numerically to the University, in the form of cash or readily marketable securities ("stocks"), according to the following schedule:

January 1, 2015	\$payment amount written numerically
January 1, 2016	\$payment amount written numerically
January 1, 2017	\$payment amount written numerically
January 1, 2018	\$payment amount written numerically
January 1, 2019	\$payment amount written numerically

Gifts of stock will be valued according to Internal Revenue Service guidelines in effect at the time the stock is transferred to the University. Currently, these guidelines value the stock at the average of the high and low trades on the date of transfer to the University. As the University is relying upon this gift for its planning purposes, the Donor acknowledges that this gift shall be a legally binding obligation of himself and his estate and that this Agreement will be governed by Pennsylvania law.

2. **University's Commitment:** In recognition of this generous commitment, the University will:
 - a. Create a professorship name of field name of department at the name of school to be known as the name of professorship;
 - b. Commence the appointment process for the first Professorship holder when at least 50% of the gift has been received and the balance is expected according to

Gift Agreements (continued)

Page 2 of 3

the schedule in paragraph one. Appointment to the Professorship shall be in accordance with the University's standard guidelines for the appointment of chaired faculty. *Add to this paragraph any special qualifications for the Professorship holder, or any agreement to give donor notification of an appointment prior to any public announcement*

- c. Provide to the Donor (or whomever he designates in writing) through the name of department at the name of school, an annual report on the Professorship holder's professional activities.

3. Management of the Completed Gift:

- a. The University will invest the gift in the name of professorship Fund ("Fund"), which it may pool and manage with its other endowed funds in accordance with regular University investment and management policies. Net income from the Fund, as determined by application of the University's spending rule policy, as it may be amended from time to time, will be used in support of the Professorship holder for expenses such as compensation, travel, research assistants, and related discipline expenses, as determined by the dean or her/his designee. Income from this restricted endowment gift is subject to the University's indirect cost recovery policy, which provides that a portion of the income be retained by the beneficiary school or center to be applied to offset the full costs associated with the specific restricted gift purpose;
- b. Until the first Professorship holder is named, the University will reinvest the income attributable to the Fund. If gifts to the Fund do not reach \$3,000,000 within number of years years, the president of the University and the dean of the name of school may utilize the completed gifts for the same or similar purpose; and
- c. After gifts to the Fund reach \$3,000,000, should the net income of the Fund exceed the annual needs for the name of professorship, the dean of the name of school shall have the discretion to direct the excess income for a purpose at the University/name of school as close as possible to the Donor's original intent.

4. **Planning for the Future:** Endowment gifts are designed to last for all time. However, it is impossible to anticipate how changing circumstances in the future may impact the University's ability to comply with all of the provisions of this Agreement. Accordingly, in the event future developments make it impracticable for the University to carry out the specific terms of this Agreement, the president of the University in consultation with the dean of the name of school shall have the discretion to direct the use of the Fund for a purpose as close as possible to the Donor's original intent. In addition, with the written consent of the Donor, the University may make changes to the terms of this Agreement which it determines are to the benefit of the University, are for a purpose at the University and are consistent with legal requirements for the use of charitable funds.

5. Recognition:

- a. The Donor will be referred to as name(s) of donor(s) in connection with this gift. This contribution may be publicized in donor recognition vehicles produced by

Gift Agreements (continued)

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the University or other entities, including print, spoken broadcast, and/or electronic media; and

- b. The University will recognize the gift with an appropriate public announcement unless directed otherwise by the Donor.

Name of Donor
Donor

Date

Name of Donor
Donor

Date

THE TRUSTEES OF THE
UNIVERSITY OF PENNSYLVANIA

By: Amy Gutmann
President

Date

By: Name of Dean
Dean, Name of School

Date

(For MED/DEN/VET)

By: Name of Department Head/Chair
Department Head, School of Medicine

Date

ATLAS Gift Transmittal Form

Once it has been determined that a donation is being made or pledged to Penn, the gift or pledge itself and all supporting documentation should be attached to a copy of your online ATLAS Gift Transmittal Form and submitted to Gifts Accounting and Administration (GAA). In most Schools and Centers, the responsibility for completing ATLAS Gift Transmittal Forms rests with the Development staff in that particular School or Center.

An ATLAS Gift Transmittal Form is the primary source for tracking gifts that are given to the University. They provide a paper trail for auditing and tax purposes and an internal reference document for gift information. They also provide an assurance that donor's wishes are carried out, that gifts and pledges are allocated properly and that the correct donors are properly recognized. An ATLAS Gift Transmittal Form should be completed for all new gifts and pledges.

Gifts should not be deposited to the Cashier's Office using BEN Deposits unless:

- Cash is received
- The amount received contains payment for a benefit in addition to the gift. A benefit is goods or services that the donor receives that is not part of the gift

Example: If the donor writes a \$200 check, \$100 of which is for tickets to a dinner/lecture, the portion that is a gift is only \$100. The entire \$200 check should be deposited, with the benefit portion of the check being credited to a revenue (4xxx) object code in a 0xxxxx fund only, while the gift portion of the check should be credited to object code 1149 in a 0xxxxx, 4xxxxx, or 6xxxxx account.

In both of these cases, an online ATLAS Gift Transmittal Form must be completed, and a printout of the Deposit Summary screen from BEN Deposits should be attached to the ATLAS Gift Transmittal Form.

ATLAS Transmittal training is available on a monthly basis. In order to register, please go to Knowledge Link at <http://knowledgeink.upenn.edu>.

ATLAS Gift Transmittal Form (continued)

Sample Online ATLAS Gift Transmittal Form

ATLAS ...a world of information

Pam | Database Shortcuts | Alerts | Finance | Human Resources | My Dashboard | Emulation Dashboard

Main Menu | Database | Prospect Management | People | Action List

Transmittal

Transaction: Gift Pledge Journal Credit Card

Create New ID? *ID Type: Person [Search](#) Matching Gift Form Attached

*ID: [Search](#)

Update Contact Information

Created By: Pamela G. Allen
 Works For: UNI
 Email: pallen@upenn.edu
 Phone: 215/746-7422
 Fundraiser Name:

[Transaction Register](#)

Gift Detail [Find](#) | [View All](#) First 1 of 1 Last

*Gift Amount: 0.00 USD Tender: [Search](#) Gift Type: GIFT [Search](#) *Gift Date: 04/15/2015 [tt](#)

Open Pledges

[Find](#) First 1 of 1 Last

Setid	*Designation	*Campaign	*Appeal Code	*Amount	Charitable Amount
<input style="width: 40px;" type="text"/> Search	<input style="width: 40px;" type="text"/> Search	ADV Search	<input style="width: 40px;" type="text"/> Search	0.00	0.00

[Find](#) First 1 of 1 Last

*ID Type	*ID	Constituent	*Recognition	*Amount	Anonymous
<input type="checkbox"/> Create New ID?	Person Search	<input style="width: 40px;" type="text"/> Search	Hard Search	0.00	<input type="checkbox"/>

[Find](#) First 1 of 1 Last

Tribute Type	ID	Name	AmountUSD	Occasion
<input style="width: 40px;" type="text"/> Search	<input style="width: 40px;" type="text"/> Search	<input style="width: 40px;" type="text"/> Search	0.00	<input style="width: 40px;" type="text"/>

Comments:

Save
Submit
Printer Friendly Version - be sure to print landscape

Updates cannot be made to the transmittal once it has been submitted.

Add Update/Display

18

Creating a New Gift Fund

If the donor's restrictions, as outlined in the gift agreement, fall outside the bounds of existing gift funds, a new fund will need to be established. The procedure to create a new gift fund is as follows:

1. School/Center completes a BEN Financials New Fund Request Form
<http://www.finance.upenn.edu/forms/fund-request-form.pdf>
 - This form must be approved/signed by the School/Center Senior Business Administrator
2. Development staff completes an ATLAS New Designation Request Form.
 - This form will provide the appropriate information on benefiting units, name of designation, etc.
3. Documentation supporting donor intent is required to establish the following:
 - a permanently restricted True Endowment Fund
 - a temporarily restricted Term Endowment Fund
 - a temporarily restricted Operating Term Gift Fund
 - a temporarily restricted Capital Project Gift Fund
 - an unrestricted Operating Gift Fund
 - and/or a donor-directed unrestricted Quasi-Endowment Fund
 - **New funds will not be established without supporting documentation.**
4. Gift and Investment Services will assign a new gift fund in BEN Financials and ATLAS and notify the appropriate School/Center and Development staff, via e-mail, the new gift fund information.
5. All fund documents are scanned and available in ATLAS. Development staff has access to ATLAS.*

* Senior Business Administrators can obtain access to ATLAS by completing the on-line course "Fund Documents for Business Administrators" in [KnowledgeLink](#).

Creating a New Gift Fund (continued)

Sample BEN Financials New Fund Request Form

DATE: _____	<u>BEN Financials New Fund Request Form</u>	
FOR TRUST ADMINISTRATION USE ONLY:		
Date Fund Established: ____/____/____	Completed by (initials): _____	FUND # _____
ATLAS Mapping: _____-XXXX-_____		LEGACY # _____ (if needed)
<p>Use this form to request a New Fund Value. Complete all requested information. Return completed forms to Trust Administration at 427 FB/6205. You will be notified via e-mail of the New Fund Value and the Legacy Account number, if needed. Please direct any questions regarding the completion of this form or the status of the request to Tim Engler, Trust Administration, ext. 8-1554 or tengler@upenn.edu</p>		
PLEASE COMPLETE ALL OF THE FOLLOWING INFORMATION:		
Fund name: _____		
Fund Type (check one): True Endowment Fund <input type="checkbox"/> Term Endowment Fund <input type="checkbox"/> Quasi-Endowment Fund <input type="checkbox"/> Agency Fund <input type="checkbox"/> Restricted Operating Term Gift Fund <input type="checkbox"/> Unrestricted Operating Gift Fund <input type="checkbox"/> Capital Project Gift Fund <input type="checkbox"/>		
If an <u>Endowment Fund</u> is requested, will all income earned from the Endowment Fund be spent in the same Fiscal Year? (check one): YES <input type="checkbox"/> NO <input type="checkbox"/>		
Responsible ORG: _____ (The Responsible ORG is the organizational unit that has fiduciary responsibility for all of the activity within the Fund. The organizational unit that has been designated the "Responsible ORG" for the Fund is authorized to view all combinations used with that Fund, regardless of the ORG Value.)		
ORG VALUE (if different from Responsible ORG): _____ PROGRAM VALUE: _____ C-REF VALUE: _____		
Indirect Cost Recovery [Overhead] (check one): YES <input type="checkbox"/> NO <input type="checkbox"/>		
If a Legacy Account is needed, please complete the following fields. Legacy Accounts are the 9-digit codes used <u>only</u> by the <u>Bursar System</u> and by two <u>Mail Services Feeders (FedEx & Xpress)</u> . All other feeders use the 26-digit BEN Financials account and do not need a 9-digit Legacy Account created.		
LEGACY ACCOUNT MAPPING request (if needed): ORG VALUE: _____ PROGRAM VALUE: _____ C-REF VALUE: _____		
<p>Purpose of New Fund: <i>Include a brief description of the New Fund – the purpose, sources of funding, expense categories expected, and/or any restrictions. Examples of purpose include financial aid, academic program, research, student activities, etc. Documentation supporting donor intent is required to establish a permanently restricted True Endowment Fund, a temporarily restricted Term Endowment Fund, a temporarily restricted Operating Term Gift Fund, a temporarily restricted Capital Project Gift Fund, an unrestricted Operating Gift Fund, and/or a donor-directed unrestricted Quasi-Endowment Fund. New Funds will not be established without supporting documentation.</i></p>		
REQUESTOR INFORMATION:		
Requestor (Print Name): _____	(Signature): _____	
School/Center #: _____	Department: _____	
E-mail address: _____	Telephone #: _____	
Development Officer to notify (if any): Name: _____	Email address: _____	
APPROVALS:		
School/Center Senior Business Administrator:		
(Print Name): _____	(Signature): _____	
DISTRIBUTIONS: (For School/Center use as required. Please list all individual names here):		

Revised August 2012

Creating a New Gift Fund (continued)

Sample ATLAS New Designation Request Form

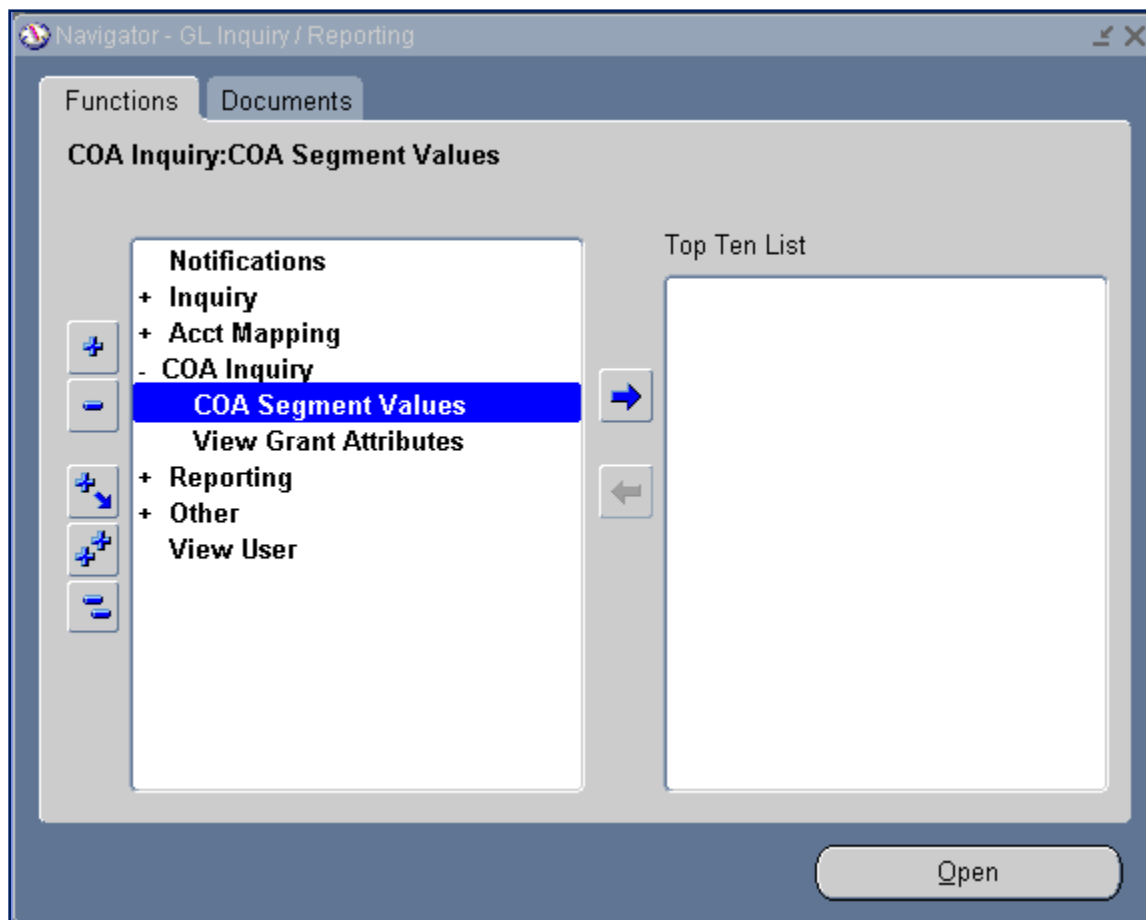
ATLAS New Designation Request Form					
<p>Use this form to request a new Designation on Atlas. This form is to be completed in conjunction with the BEN New Fund Request Form. Complete all requested information and return to Investment Services at 427 FB/6205. Please direct any questions regarding the completion of this form or the status of the request to Julie Beepat at 8-1941.</p>					
Development Staff Name:		Date			
Signature:		Email:	Phone:		
<p>U/G SCHOLARSHIP FUNDS ONLY (Atlas form must be sent to your business office, if a Central user send form directly to Tim Engler) FUNDRAISER NAME: _____ FUNDRAISER UNIT: _____</p>					
FUNDRAISING UNIT(S)					
Unit #1	Unit #2	Unit #3			
<p>Type of Request (select one) <input type="checkbox"/> Create New Designation <input type="checkbox"/> Modify/Adjust Existing Designation SETID: _____ DESIGNATION #: _____ <input type="checkbox"/> Create New Generic Designation Provide- CNAC: _____ ORG: _____ FUND: _____ PROG: _____ CREF: _____</p>					
Designation Name (limit of 30 characters)					
Formal Name (for receipt)					
Comments (brief description of fund purpose)					
BENEFITTING UNIT(S)					
Business Unit	Percent	Start Date			
	100%				
	100%				
	100%				
INITIATIVES (check all that apply)					
	Initiative Type	Name	Code		
<input type="checkbox"/>	Objective Priority (required)				
<input type="checkbox"/>	Priority	Penn Fund	UNI-PENN31		
<input type="checkbox"/>	Priority	Undergraduate Student Aid	UNI-UGAID		
<input type="checkbox"/>	Priority	Graduate Student Aid	UNI-GRADAID		
<input type="checkbox"/>	Priority	Professional AID	UNI-PROAID		
<input type="checkbox"/>	-Select type-				
<input type="checkbox"/>	-Select type-				
GIVING CLUBS Contributions to this designation count toward (Please check all that apply)					
<input type="checkbox"/> Ben Franklin Society (UNI-BFS)		<input type="checkbox"/> Other (Please specify): _____			
DESIGNATION RELATIONSHIP(S) (optional-for Stewardship purposes)					
Name	Id	Relationship	Beneficiary Code	Start Date	End Date
		Select			
		Select			
		Select			

01/03/2013

Fund Attributes

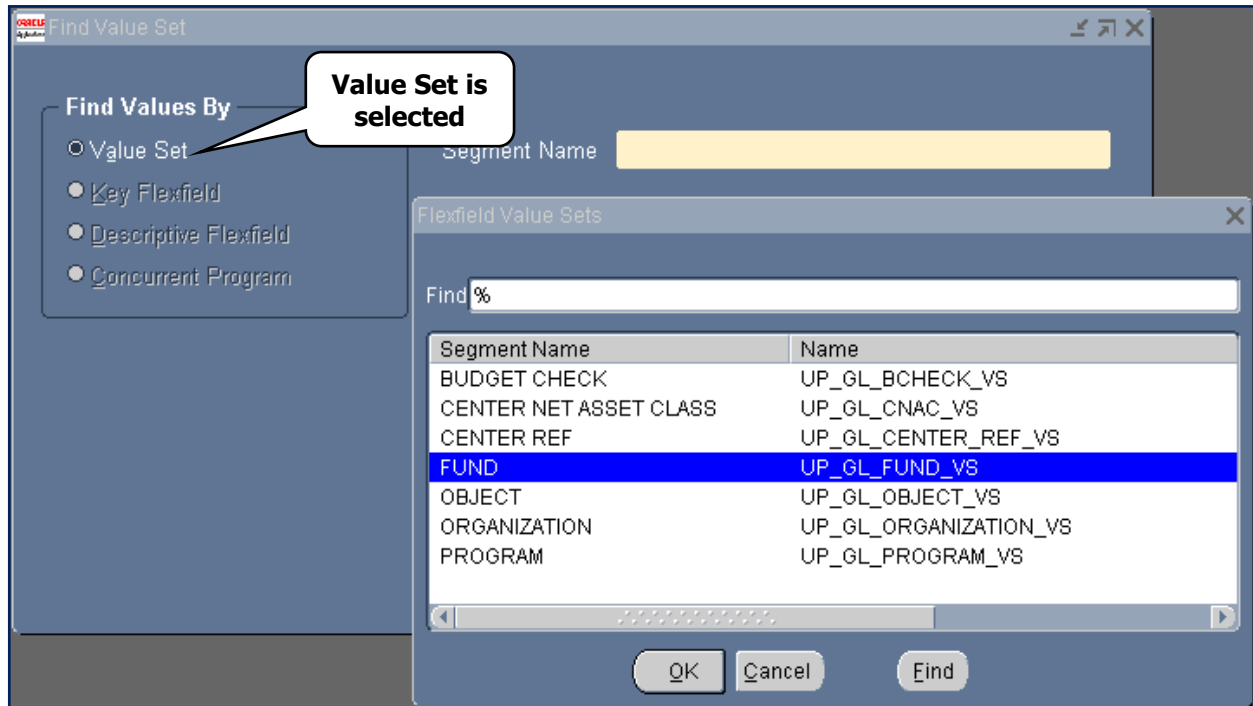
When you receive notice by Gift and Investment Services of your new gift/endowment fund number, you should verify that the gift fund was set up properly and that the fund's attributes match the donor's wishes. To look up fund attributes for gift or endowment funds, log in to BEN Financials and select the GL Inquiry Responsibility. Each segment in the Chart of Accounts has a list of valid values that may be used in that segment. For the FUND segment, Penn has defined a number of attributes to provide more descriptive information about a particular segment value.

- Click on **COA Inquiry>COA Segment Values** navigational path. Click on **[Open]** or **double click** on the path's end.



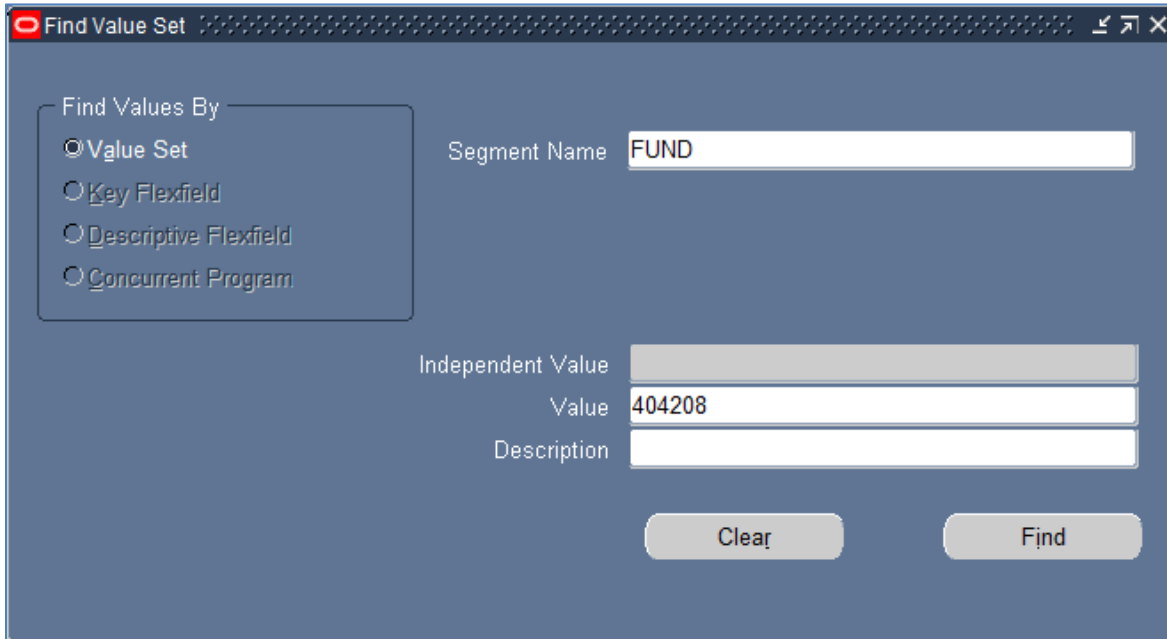
Fund Attributes (continued)

- In the Find Value Set window, click on the **LOV (List of Values)** icon on the right hand side of the Segment Name



- Highlight the desired Segment Name, in this case the **FUND** segment
- Click **[OK]**

Fund Attributes (continued)

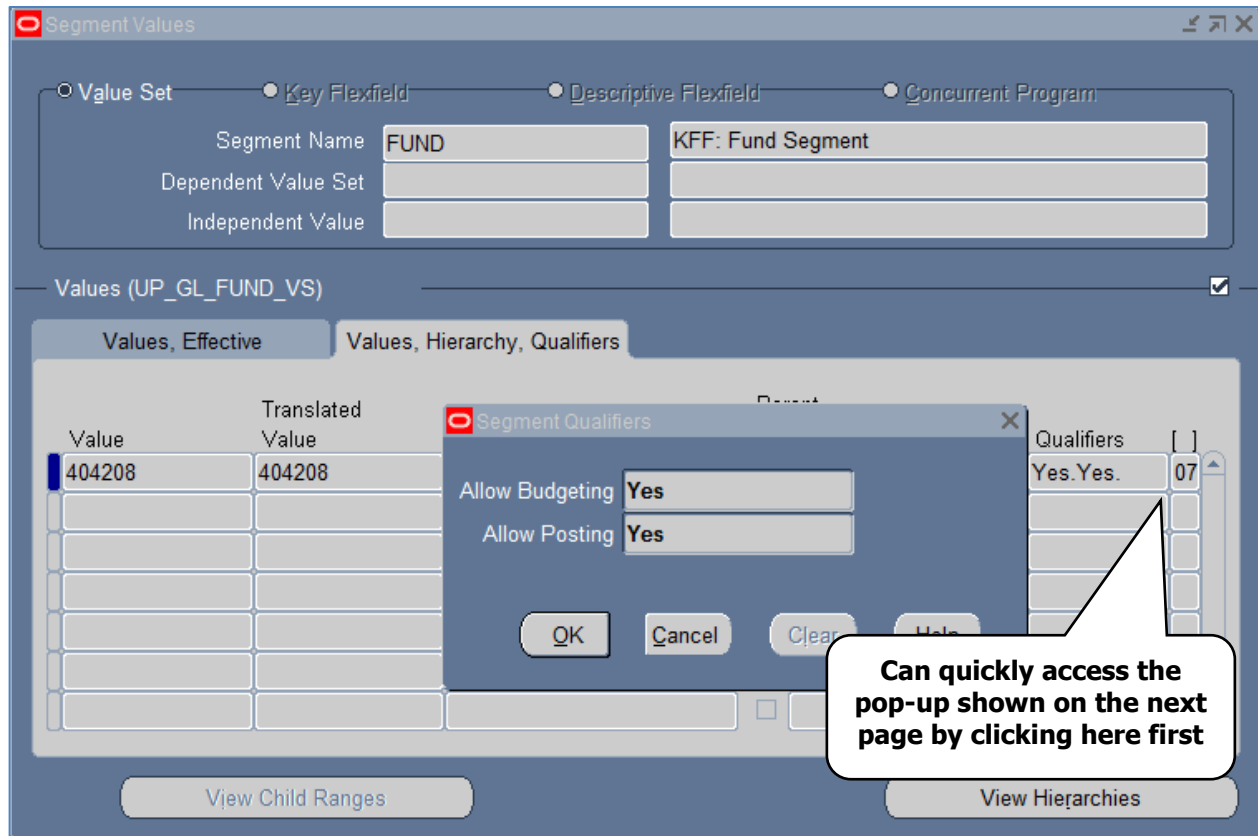


The screenshot shows a software window titled "Find Value Set". On the left, there is a section "Find Values By" with four radio button options: "Value Set" (selected), "Key Flexfield", "Descriptive Flexfield", and "Concurrent Program". To the right of this section, there is a "Segment Name" field containing the text "FUND". Below this, there are three stacked input fields: "Independent Value" (empty), "Value" (containing "404208"), and "Description" (empty). At the bottom right of the window, there are two buttons: "Clear" and "Find".

- Enter a Value or Description (must be in all capital letters) or a portion of either with the wildcard (%)
- Click on **[Find]**

Fund Attributes (continued)

- Tab through from the Value field or click on the 'Values, Hierarchy, Qualifiers' tab to open the first of the following Descriptive Flexfield boxes when the **Fund** is entered
 - Segment Qualifiers



The screenshot shows the 'Segment Values' window with the 'Values, Hierarchy, Qualifiers' tab selected. A 'Segment Qualifiers' pop-up dialog is open, displaying the following fields:

Value	Translated Value
404208	404208

The 'Segment Qualifiers' dialog has the following fields:

- Allow Budgeting: Yes
- Allow Posting: Yes

Buttons: OK, Cancel, Clear, Help

Qualifiers: Yes.Yes. 07

Buttons: View Child Ranges, View Hierarchies

Can quickly access the pop-up shown on the next page by clicking here first

Fund Attributes (continued)

- Flexfield Segment Values
 - Use the scrollbar to the right to see additional information

Flexfield Segment Values

RESPONSIBLE ORG: LAUDER INST

FUND PURPOSE: INSTRUCTION

PI NAME:

LEGACY SPONSOR CODE:

SPONSOR CODE:

ACCOUNT START:

CURRENT BUDGET END:

ACCOUNT END:

BUDGET PD 1 END:

BUDGET PD 2 END:

BUDGET PD 3 END:

BUDGET PD 4 END:

BUDGET PD 5 END:

BILLING FREQUENCY:

BILLING FORMAT:

Flexfield Segment Values

LOC TRANS ID:

LOC REPORT STATUS:

GRANT/GIFT ID:

FEDERAL FLOW FLAG:

DATE FUND ESTABLISHED:

RESTRICT RECLASS CODE: MANUAL

DONOR RESTRICT-ORG: LAUDER INST

DONOR RESTRICT-PROG: INSTRUCT ADM DEG

DONOR RESTRICT-OBJ:

INVEST REVENUE TREAT: TRUE/TERM

INTERNAL DESIGNATION:

PENN RESTRICT-PROG:

PENN RESTRICT-ORG:

FUND DESCRIPTION:

SFS CATEGORY CODE:

FIRST FINANCIAL REPORT DUE:

OK Cancel Clear Help

Fund Attributes (continued)

The following fund attributes are relevant to gift accounts:

FUND ATTRIBUTE	DESCRIPTION
RESP ORG	The four-digit ORG code for the Responsible Organization for the gift or endowment fund. This organization can see all activity related to the fund, regardless of what specific 26-digit account combination is used.
FUND PURPOSE	This code is assigned by Investment Services based on donor specifications about how the funds are to be spent.
GRANT/GIFT ID	In spite of the attribute title, this field is not used for gift or endowment funds.
DATE FUND ESTABLISHED	Date the university account was created
RESTRICT RECLASS CODE	Indicates how revenue will be reclassified (see Advanced Gifts and Endowments for detailed explanation about revenue reclassification) A = Automatic reclassification M = Manual reclassification T = Time-based reclassification
DONOR RESTRICT-ORG	Restrictions on what ORGs are allowed to use the fund, based on conditions in the donor gift agreement
DONOR RESTRICT-PROG	Restrictions on what program codes may be used in conjunction with this fund, based on conditions in the donor gift agreement
DONOR RESTRICT-OBJ	Restrictions on what object codes may be used in conjunction with the fund, based on conditions in the donor gift agreement
INVEST REVENUE TREAT	How investment revenue is treated 1 = True/Term Endowments – Income available to be spent 3 = True Endowment – Income reinvested until a specific date or dollar amount is reached 4 = Funds Functioning as Endowment (Quasi-Endowment)
INTERNAL DESIGNATION	Restrictions placed on the fund by the trustees, not the donor
PENN RESTRICT-PROG	Restrictions on what program codes may be used in conjunction with this fund, based on conditions specified by the Trustees or other officers internal to Penn.
PENN RESTRICT-ORG	Restrictions on what ORGs may be used in conjunction with this fund, based on conditions specified by the Trustees or other officers internal to Penn.
FUND DESCRIPTION	Legal fund name
SFS CATEGORY CODE	If the gift/endowment account is for undergraduate student aid, this is an internal code used by SFS to determine the category of that aid.

Note: The general ledger entries outlined below are all recorded by central offices or automated processes. Individual departments should not generate these transactions.

Receiving and Recording Gifts

Recording Cash, Check, or Credit Card Gifts

Cash, check, or credit card gifts are recorded in the BEN Financials General Ledger as follows:

Debit (DR)	Credit (CR)
Object Code 11XX (appropriate Cash object code)	Object Code 4400 (Gift Revenue General) or (if gift was previously recorded as a pledge) Object Code 1230 (Contributions Receivable)

Recording Gifts-in-Kind and Securities (Stock) Gifts

Gifts of stock, securities or other assets are recorded in the BEN Financials General Ledger as follows:

Debit (DR)	Credit (CR)
Object Code 1780 - 1858 (appropriate "Other Asset" object code)	Object Code 4400 (Gift Revenue General) -or- (if gift was previously recorded as a pledge)- Object Code 1230 (Contributions Receivable)

Recording Pledges (Promises to Give)

The Financial Accounting Standards Board (FASB) requires the recording of unconditional promises to give as revenue (i.e. donor signed agreements to contribute cash or other assets).

- These pledges must be recorded as revenue **in the period that the promise is made**, not when the gift is received. They are recorded in the BEN Financials General Ledger as follows:

Debit (DR)	Credit (CR)
Object Code 1230 (Contributions Receivable)	Object Code 4400 (Gift Revenue General) Object Code 1237 (Net Present Value Discount)

- As with any other gift, pledges are recognized in the appropriate net asset category (NAC) according to any donor-imposed restrictions
 - **0** – unrestricted
 - **1** – temporarily restricted
 - **2** – permanently restricted).

Receiving and Recording Gifts (continued)

Net Present Value

Net Present Value compares the value of a dollar today versus the value of that same dollar in the future after taking inflation and return into account. The advantage of this approach is that it takes the time value of money into consideration. The University is required to record pledged contributions at their Net Present Value (NPV), unless they are expected to be collected within one year, in which case they may be recognized as revenue with no discounting. Penn calculates NPV on all multi-year pledges.

Example:

Object Code 1230 (Contributions Receivable)	\$100,000
Object Code 1237 (Net Present Value Discount)	(\$35,000)
Value Today	\$65,000

Recognizing Present Value (The Passage of Time)

Each month the ATLAS system will recognize a portion of the previously discounted value of the pledge. As the passage of time continues eventually all of the present value will be eliminated and the full value of the pledge will be recorded as revenue. Each month a portion of the discount will be recognized as contributions revenue. These entries will not have a cash effect, but will appear as new gifts.

Debit (DR)	Credit (CR)
Object Code 1237 (Net Present Value Discount)	Object Code 4400 (Gift Revenue General)

Writing Off A Pledge

Since the University recognizes gift pledges in its financial statements, together with an allowance for those ultimately deemed uncollectible, it is necessary to have a procedure to write off such amounts. In order to write off pledges of \$25,000 or greater, written approval from both the Vice President for Development and the Senior Vice President for Finance is required. Gift pledges of less than \$25,000 will be automatically written off by the ATLAS Gift System one year after the final pledge fulfillment date.

☞ For example, a pledge with a final payment date of 03/31/14 will be written off effective 03/31/15

In both cases, the Office of the Treasurer and Office of the Comptroller should be notified and provided with the appropriate information necessary to effect the write-off (i.e., donor name, pledge amount, reason for write-off, etc.). Write-offs are recorded in the BEN Financials General Ledger as follows:

Debit (DR)	Credit (CR)
Object Code 4400 (Gifts Revenue)	Object Code 1230 (Contributions Receivable)

Receiving and Recording Gifts (continued)

Reserves

The University is required to reserve all past due pledges more than 2 years old. Based on past collectability studies it is highly unlikely to collect a pledge once they have been past due 2 or more years. All reserves are recorded at the fund level. This change in practice will not affect the University's financial statement, but are now able to be viewed at the School level.

Debit (DR)	Credit (CR)
Object Code 4400 (Gifts Revenue)	Object Code 1239 (Contributions Receivable)/Allowance for Uncollectible

The pledge will not be written off until events discussed previously are met. The pledge will be noted as reserved in the ATLAS System allowing the Development Officer to know that the pledge is past due.

Object Codes

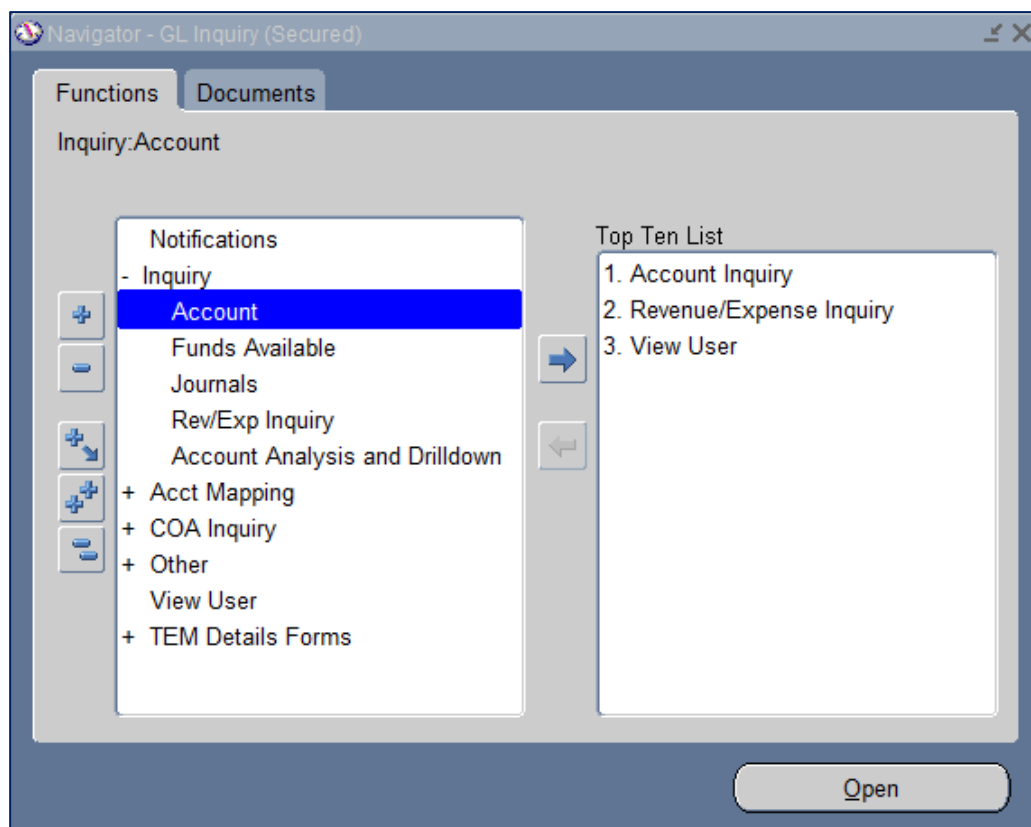
For a complete list of object codes and their definitions, go to:

<http://www.finance.upenn.edu/comptroller/accounting/gloc/index.shtml>

Accessing Gift Information in BEN Financials

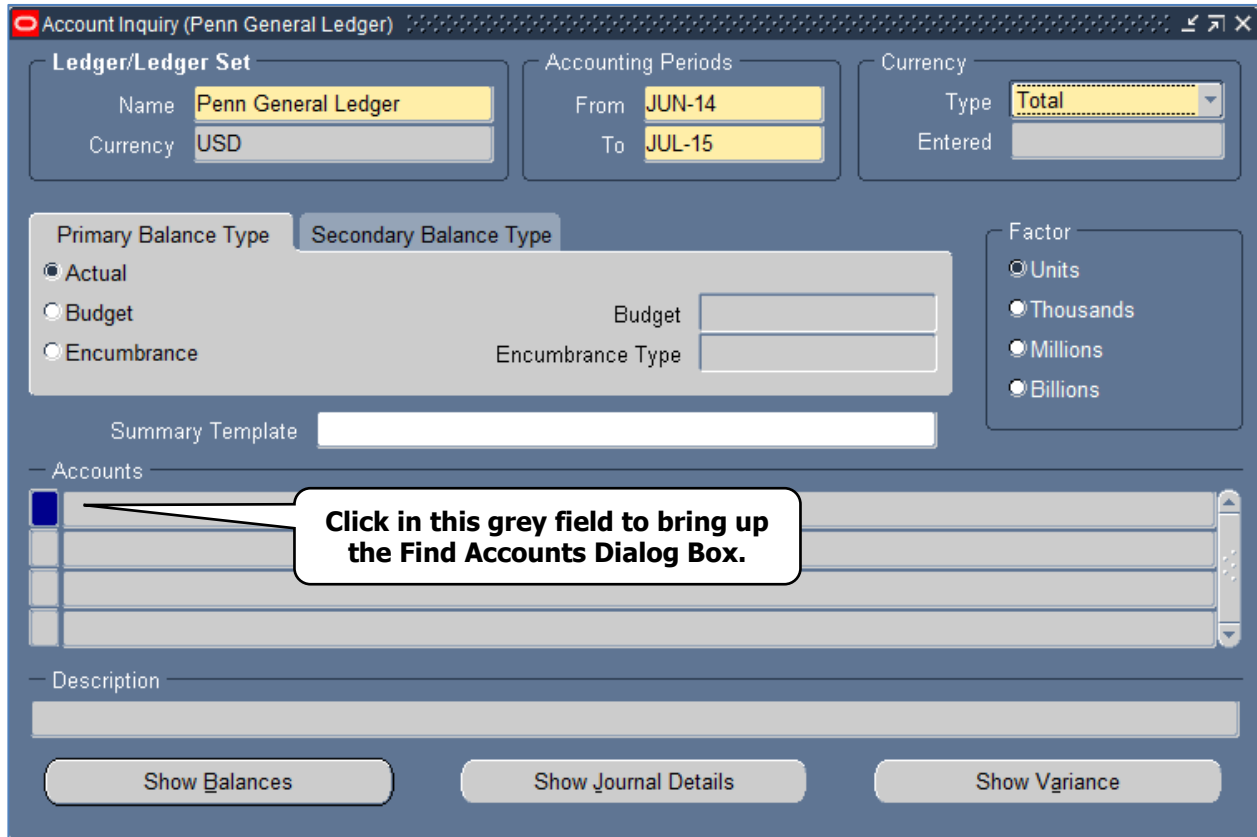
Gifts Accounting and Administration maintains a gift system, known as ATLAS, which contains information relating to gifts received by the University. This system tracks pledges and produces receipts for donors. Donor names and other gift information are fed from this system into the BEN General Ledger and recorded along with the accounting entry for all gift transactions. To look up information regarding a gift, log in to BEN Financials and select the GL Inquiry Responsibility.

- Click on **Inquiry > Account** navigational path. Click on **[Open]** or **double click** on the path's end.

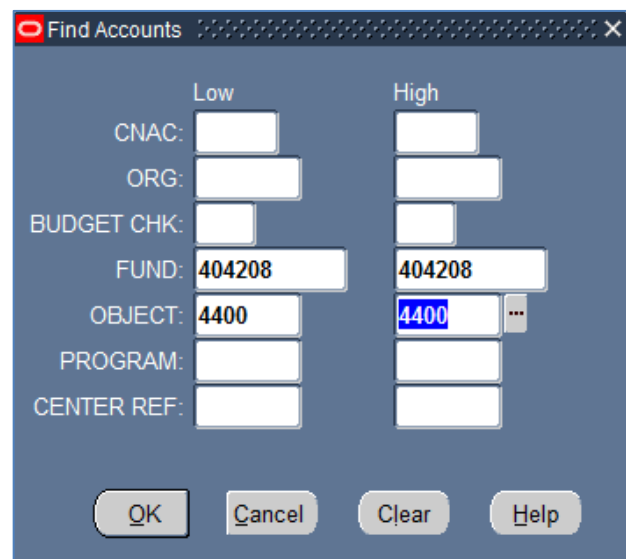


Accessing Gift Information in BEN Financials (continued)

- Enter the range of **Accounting Periods** to include in your query:
- Leave the Primary Balance Type tab set at the default, **Actual**

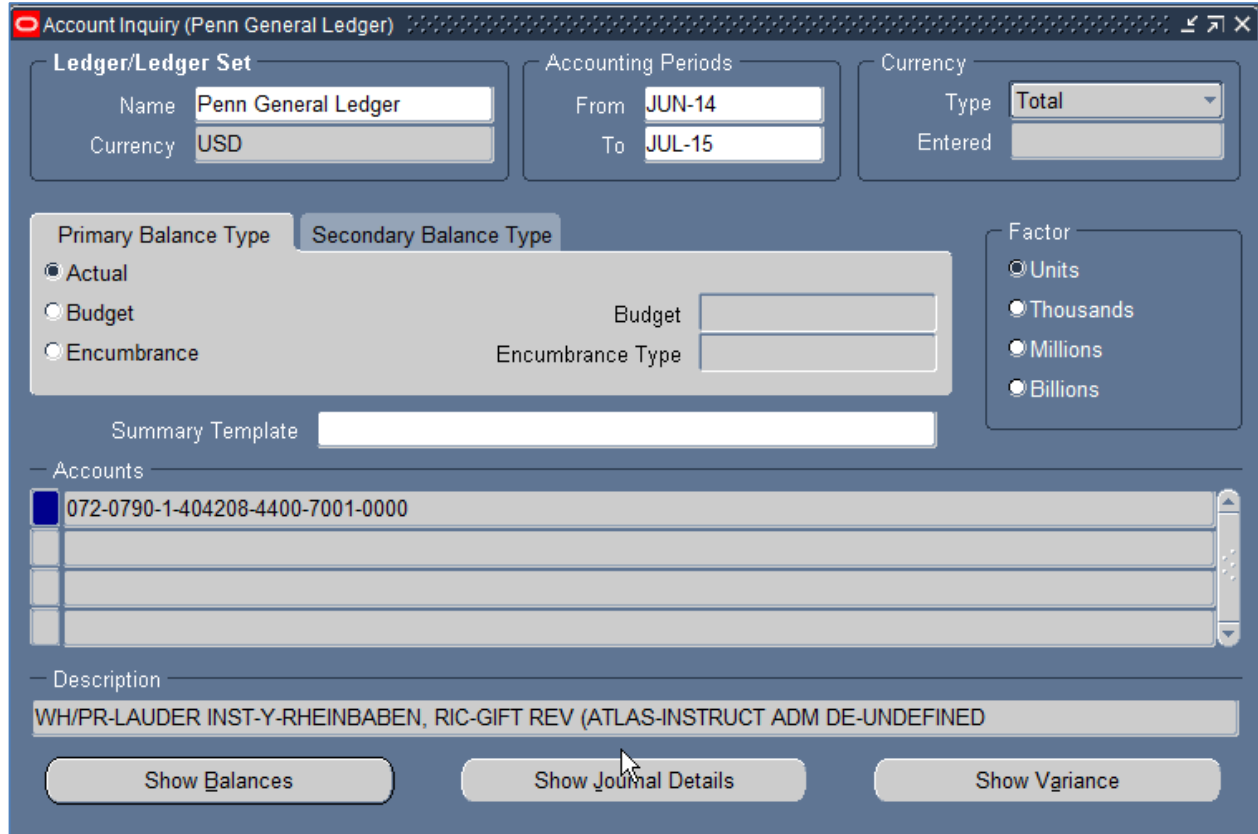


- Click in the grey **Accounts** box in order to bring up the **Find Accounts** dialog box
- Enter the **FUND** number and the appropriate gift object code
 - **4400** (Gift Revenue)
 - **1230** (Pledges)
- Click **[OK]**



Accessing Gift Information in BEN Financials (continued)

- The system will return the full 26-digit account number associated with any gifts that were recorded against the object code that you entered:



Account Inquiry (Penn General Ledger)

Ledger/Ledger Set
Name: Penn General Ledger
Currency: USD

Accounting Periods
From: JUN-14
To: JUL-15

Currency
Type: Total
Entered:

Primary Balance Type
 Actual
 Budget
 Encumbrance

Secondary Balance Type
Budget:
Encumbrance Type:

Factor
 Units
 Thousands
 Millions
 Billions

Summary Template:

Accounts
072-0790-1-404208-4400-7001-0000

Description
WH/PR-LAUDER INST-Y-RHEINBABEN, RIC-GIFT REV (ATLAS-INSTRUCT ADM DE-UNDEFINED)

Show Balances Show Journal Details Show Variance

- Place your cursor on the appropriate line (the bright blue box indicates where your cursor is located)
- Click **[Show Journal Details]**

Accessing Gift Information in BEN Financials (continued)

- The donor name will appear in the "Line Description" field

Journal Details

Period	Batch	Line Description	Entered Debit	Entered Credit	Journal Entry	Line
DEC-14	ATLCASH001 20141215 ATLAS_CASH A	[Redacted]		12,500.00	ONLINE Feeder USD	90

Note feeder name "ATLCASH" – if we had searched on object code 1230, the feeder would say "ATLPLDG" indicating that it was a pledge and not an actual gift.

Donor Name

Horizontal Scrollbar

Drilldown Show Full Journal Detail Balances

- Use the horizontal scrollbar to scroll to the right in order to retrieve the journal line number from the "Line" field
- Write down or copy the journal line number

Journal Details

Entered Debit	Entered Credit	Journal Entry	Line	Source	Category	Account
	12,500.00	ONLINE Feeder USD	90	ATLAS_CASH	Feeder	072-0790-1-404208

Journal Line Number

Accessing Gift Information in BEN Financials (continued)

- Click **[Show Full Journal]** to show the entire gift journal

Line	Account	Debit (USD)	Credit (USD)	Description
8	000-0020-1-000000-1149-0000-0000	10,000.00		OFFSETTING ENTRY
9	000-0020-1-000000-1149-0000-0000	14,360.00		OFFSETTING ENTRY
10	000-0020-1-000000-1149-0000-0000	101,585.00		OFFSETTING ENTRY
11	000-0020-1-000000-1149-0000-0000	1,755,348.04		OFFSETTING ENTRY
12	000-0001-1-000000-4400-7312-0000		1,000.00	[REDACTED]
13	000-0002-1-000000-4400-7312-0000		30.48	[REDACTED]
14	000-0002-1-000000-4400-7312-0000		50.00	[REDACTED]
15	000-0002-1-000000-4400-7312-0000		76.51	[REDACTED]
		3,778,762.11	3,778,762.11	

Acct Desc: UNIV/UR-GU INVEST SERVI-Y-GENERAL UNRESTR-CASH GIFT SUSPE-NOT PROG REL-UNDEFINED

- Position cursor on Line 1 (not shown above) ; click on **View > Find**

Line Numbers: From 90, To 90

Entered Amounts: Debit, Credit

Accounts: From, To

Description: [Empty field]

Buttons: Clear, Find

- Enter the line number of the journal in the Line Numbers **From** and **To** fields
- Click on **[Find]** to see the results of your query within the line block

Revenue Reclassification

Each gift or endowment fund has assigned to it a Restricted Income Reclass Code (see the RESTRICT RECLASS CODE Fund Attribute section). This code determines how revenue is reclassified among the various net asset classes when donor's restrictions are met. The three types of reclassifications that can occur in a gift fund are:

1. Automatic Reclassification

Restrictions which the University normally meets in the due course of business: restricted gift revenue is reclassified as soon as the revenue is received.

Only unrestricted operating gift funds (63xxxx) and quasi-endowments (funds functioning as endowments) are coded as automatically restricted. Any unspent revenue remaining in these funds will be automatically swept into special purpose fund 01xx05 at fiscal year-end.

2. Manual Reclassification

Restrictions which are so specific that the University only recognizes that the restriction has been met when valid expenditures are directly incurred against the fund: restricted gift revenue is reclassified only when expenditures that meet the restriction criteria are made and only up to the amount of the expenditure and associated indirect cost recovery (if applicable).

All restricted operating term gift funds (60xxxx) are coded as manually restricted.

At the end of the month, if there were any expenses charged in NAC 0 for that month, the system automatically transfers the cash and indirect cost recovery from NAC 1 to NAC 0 to balance ("zero out") this expense. Unless the fund is overspent, NAC 0 activity should net to zero.

3. Time-Based Reclassification

Restrictions which are time-based, i.e., the restriction is met by the passage of time or the occurrence of an event: gift revenue is reclassified when the time has elapsed or the event has occurred. The determination that restrictions have been met must be reviewed by Gift and Investment Services.

 *Spending from these funds without approval will incur an overdraft in NAC0.*

Budgeting Gift Funds

Budgeting Gift Funds

Budgeting is necessary for new gift and endowment funds or gift and endowment funds that have surplus cash balances and will have expenses or other activity occurring in the unrestricted net asset class. Budgets can only be created in NAC 0. Budgets that are not created and uploaded in the original Hyperion Planning budget load at the beginning of the fiscal year must be created in BEN Financials through the Budget Journal Entry responsibility.

The total available resources in gift and endowment funds basically consist of two components: carry-forward balance and anticipated current income.

Carry-forward

Gift (60xxxx) and endowment (4xxxxx) funds allow surplus or deficit balances to be “carried forward” to the next fiscal year. New gift and endowment funds will not have any balance from prior years, so this situation only needs to be taken into consideration when budgeting existing gift and endowment funds. Carry-forward balances appear on BEN Financials reports under the label “Prior Year (Surplus)/Deficit”. As the label indicates, surplus balances appear in parentheses, because they are negative, or credit, balances. Deficits appear as a positive number. If you have a deficit balance, you will not be able to budget the full amount of expected gift or endowment revenue, because you will need to reserve an amount sufficient to cover the deficit carry-forward balance. Similarly, if you have a surplus balance, you can budget additional money over and above what you anticipate receiving in current-year gift or endowment revenue, up to the amount of the surplus balance.

Important: Due to the timing of the budget cycle, the Hyperion Planning budget is submitted prior to the end of the fiscal year. This requires an estimated carry-forward amount to be used when calculating what resources are available. You will need to adjust the budget accordingly if there are any differences between the estimated amount and the actual carry-forward balance.

Several BEN Financials reports exist which give you information on “Prior Year (Surplus)/Deficit” (carry-forward) balances. Those are described more fully in the report section of this document, but include the 10X.ORG, 205.SCH, 300.BUD and 302.BUD reports.

Budgeting Gift Funds (continued)

Anticipated Gift Revenue

The more complex component of determining what is available to be budgeted in gift or endowment funds is determining what the anticipated level of revenue is in the fund for the current fiscal year. Both existing and new gift or endowment funds will be authorized a certain level of spending during the current fiscal year.

For operating gift funds (6xxxxx funds), this figure is the amount of gifts you expect to receive in the current year, less any **indirect cost recovery** charges. The University generally charges an administrative fee of 20% on all gifts received by the University – this charge is called indirect cost recovery. In certain rare instances funds may be exempt from indirect cost recovery charges; in most cases those involve gifts funding fellowships or scholarships for students. Financial Policy #1606 states that waiver of the indirect cost recovery charge can be granted only by the dean or director of the responsibility center with the concurrence of the Senior Vice President for Finance. All of this indirect cost recovery charge is returned to Schools/Centers to allocate back to academic programs within their responsibility center.

Indirect Cost Recovery Example:

You are anticipating receiving \$10,000 in gifts during the current fiscal year, all of which will be deposited into your department's gift fund. The amount you could spend from these gifts is \$10,000 - \$2,000 (20% indirect cost recovery), or \$8,000. You would budget the \$10,000 gift in object code 4400. The gift is recorded in NAC 1, expected expenses will be reclassified to object code 4811 in NAC 0, so 4811 should be budgeted for \$10,000. \$2,000 indirect cost recovery is budgeted in object code 4402, and \$8,000 may be budgeted in whatever current expense (5xxx) object codes are appropriate for the purpose of the gift.

For endowment (4xxxxx) funds, things get a bit more complex than for gift funds. Since the gifts you receive will be invested, not spent, you must estimate the amount of income that those gifts will generate over the course of the rest of the fiscal year. Most endowments are invested in the Associated Investments Fund (AIF).

Hyperion Planning loads all expected income and indirect cost recovery to be charged for all endowment funds. Adjustments will be needed only for funds receiving new gifts after the load is run. Contact your Budget Analyst for assistance in adjusting projections.

When budgeting gift and endowment accounts, it is important to remember that the University is required to record pledges to be received as well as actual gifts received. While actual gifts and pledges will both appear as part of the total available resources in your funds, it is generally wise not to budget a gift until it is actually received. In certain circumstances, where expectations of the gift are extremely high and certain expenses must be incurred immediately, you may budget pledges, but be aware that by doing so you are subjecting the University to risk – if the gift is subsequently not received, other sources of unrestricted money will need to be found to cover any expenses charged against that gift or endowment fund. University policy is not to spend pledges until cash payment is received.

Monitoring Income and Expense Activity

Once you have established a budget for your gift or endowment fund, you need to monitor it on a regular basis to make sure that revenue and expense entries that occur in the fund are appropriate and follow all applicable University policies and procedures. Several BEN Financials reports exist to assist with this process, and will be discussed in the Reports section. Also many Schools have developed Business Object queries to assist with monitoring balances. Contact your Business Office for assistance with the queries.

Closing a Gift Fund

At some point, unless a gift fund receives recurring donations, the gift will eventually be spent. At this point the gift fund should be closed. This should be done in consultation with the Senior Business Administrator in your School or Center. In order to close out a gift fund, the balance in the fund must be zero, there must be no outstanding checks against the fund, no open encumbrances, and no open purchase orders against the fund. Once this is accomplished, contact the Senior Business Administrator in your School or Center, and have them ask Gift and Investment Services to close the gift fund.

Management of Operating Gift Funds

It is important to ensure that donor's intentions are met when managing an operating gift fund. While it is important to spend the gift according to the donor's wishes, it is equally important to spend the gift timely. Holding the gift as part of a rainy day fund doesn't meet the donor's intention and furthers the risk of not meeting the donor's intentions. University policy and Pennsylvania law states restricted funds should be used prior to expending unrestricted funds. Operating funds are used only to record restricted gifts. Non-gift revenue should not be recorded in operating gift funds. In addition, gift funds are not designed to be used to run department operating budgets. If this is occurring in your area, please contact Gift and Investment Services at 215-898-1554 to discuss alternative accounting that is available.

How Are University Gifts Invested?

Associated Investments Fund (AIF)

Endowment assets are invested by the University. Penn's endowment investments are held in the Associated Investments Fund (AIF), a pooled vehicle, much like a balanced mutual fund. The University includes a standard provision in most of its endowment agreements which states "The University will invest the gift in an endowed fund which it may pool and manage with its other endowed funds in accordance with regular University investment and management policies."

The AIF holds domestic and international equity, fixed income and high-yield securities, real estate and other investments, including private equity funds, other native investments and hedge funds. The AIF's performance and asset allocation is often cited when information of this type is given for "Penn's endowment". Performance is computed and reported on a total return basis, which includes both portfolio appreciation as well as income generated.

Temporary Investments Fund (TIF)

TIF represent the University's operating cash reserves. This fund is invested by the Office of the Treasurer, and represents holdings in short term assets, such as commercial paper, certificate of deposits, and U.S. Treasury obligations. Funds receiving TIF income include Capital Gift funds, Grant funds, University Bank and Renewal and Replacement funds. Please see the TIF Policy in the Financial Policy Manual for additional information.

Increasing or Decreasing the Amount of Investments

Reinvestment

Reinvesting is moving unused, available funds from derived cash to AIF to increase the future annual income of your endowment. Funds which are fully reinvested will have the reinvestment flag turned to "Y" (yes; reinvest). You can have a portion of the funds reinvested (subject to internal 5 year holding period on reinvested principal), yet still have the reinvestment flag set to "N".

Sometimes reinvestment is stipulated as a condition of the gift agreement. For certain agreements (the most common example is an endowed chair), the University will receive a gift where no action can take place until that gift grows to a higher amount. In other cases, a decision will be made to reinvest funds not at the behest of the donor, but by authorized University administrators, in order to grow the size of the endowment. This is generally done when additional money will be required to meet the obligations of the original gift. In order to have money reinvested, contact your school/center Business Office. All non-donor stipulated reinvestments must be approved by the School/Center Senior Business Administrator.

Liquidations

In certain rare instances, a fund may be liquidated. Liquidation involves the selling of endowment assets in order to provide additional derived cash for spending. For certain funds, where the principal gift is permanently restricted, this will not be permitted at all. The opposite of reinvesting, liquidating endowment assets should only be done in extenuating circumstances, because you permanently reduce the amount of future income generated by the endowment. Liquidation is only permitted on AIF funds coded as unrestricted (Net Asset Class = 0). All liquidation requests must be approved by the School/Center Senior Business Administrator.

What is the Spending Rule?

For endowment accounts, the spending rule provides a guaranteed income figure that determines how much money is available to spend for a given account in a given fiscal year. The figure is a percentage of the endowment fund's market value and is determined by the Office of Budget and Management Analysis and the Office of Investments and approved by the Trustees.

This guaranteed spendable income is received in equal increments during the 12 periods of the fiscal year (e.g., JUL-02 through JUN-03). Any investment income earned in excess of the guaranteed amount specified by the spending rule is reinvested in the endowment. This amount is recorded separately from principal gifts to the endowment (in object codes 1713-1715 for AIF investments). If there is a period where the actual market return is less than the spending rule guarantee, existing spending rule assets will be reduced (i.e., previously-earned appreciation will be spent) to provide additional income so that the fund still generates the amount of spendable income guaranteed by the spending rule.

The spending rule is designed to:

- Aid in preserving the long-term objectives of the endowment
- Ensure smooth and predictable distributions
- Protect investments against inflation

Spending Rule Formula:

$$\begin{aligned} & 70\% \text{ of Last's Year's Income} \times \text{Inflation Factor} \\ + & 30\% \text{ of Previous Market Value} \times 5.0\% \end{aligned}$$

For example:

Endowment valued at \$500,000 at 06/30/17 earning \$25,000 in spendable income in FY17.

Inflation factor is 1.1% (determined by Budget Office and will vary yearly). Income will be:

$\$25,000 \times .70 \times .011 =$	$\$19,250$	<i>Income Portion</i>
$\$500,000 \times .30 \times .05 =$	$\$7,500$	<i>Market Portion</i>
<i>FY 18 Income will be</i>	<u>$\\$26,750$</u>	

What is an “Underwater” Endowment?

With a new endowment, the gift may not generate enough income to meet the amount guaranteed by the spending rule, particularly when the stock market is not achieving high returns. In this case, there would be no reserve of spending rule assets to be reduced in order to meet the guaranteed income figure. The balance of the spending rule assets would be reduced anyway; producing a negative balance in the endowment’s spending rule assets. When an endowment fund carries a negative balance in its spending rule assets, it is sometimes referred to as an “underwater” endowment – basically, the fund is “borrowing” against future market appreciation.

Pennsylvania Principal and Income Act allows for Underwater Endowment unlike UMIFA States. Pennsylvania law assumes that long term appreciation will compensate for short term down turns in the market. Principal value (or original gift) will remain intact. All short losses will be recorded in temporarily restricted assets.

Finding 'Statistical' Rates in BEN Financials

Five special "Statistical" object codes are used by BEN Financials to calculate monthly guaranteed income and spending rule distributions. They include:

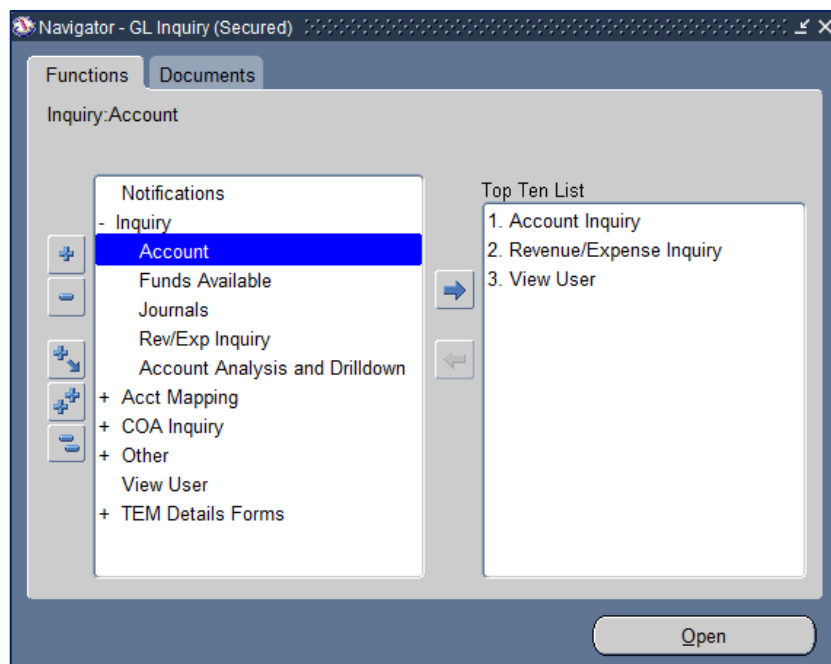
- AIFG (Associated Investments Fund Guaranteed Rate)
- AIFS (Associated Investments Fund Spending Rule Rate)
- AIFT (Associated Investments Fund Total Income)
- AIFR (Associated Investments Fund Realized Gain/Loss Rate)
- AIFU (Associated Investments Fund Unrealized Gain/Loss Rate)

The total actual rate of return (AIFT) for endowment funds is equal to the guaranteed rate of return (AIFG) less the spending rule rate of return (AIFS).

Under Total Return Investment Policy real income earned (dividends & interest) will be less than spendable income distribution.

To find the "Statistical" rates that BEN Financials uses to calculate monthly guaranteed income and spending rule distributions:

- Click on **Inquiry > Account** navigational path. Click on **[Open]** or **double click** on the path's end.



Finding 'Statistical' Rates in BEN Financials (continued)

- Enter the range of **Accounting Periods** to include in your query
- Select from the list of values **Statistical** in the Currency Type field
- Leave the Primary Balance Type tab set at the default, **Actual**

Account Inquiry (Penn General Ledger)

Ledger/Ledger Set
 Name: Penn General Ledger
 Currency: USD

Accounting Periods
 From: JUL-14
 To: JUN-15

Currency
 Type: Statistical
 Entered: STAT

Primary Balance Type (Selected)
 Actual
 Budget
 Encumbrance

Secondary Balance Type
 Budget:
 Encumbrance Type:

Factor
 Units
 Thousands
 Millions
 Billions

Summary Template:

Accounts

Description

Show Balance Show Journal Details Show Variance

Select 'Statistical' in the Currency Type field

Click in this grey field to bring up the Find Accounts Dialog Box.

Find Accounts

	Low	High
CNAC:	<input type="text"/>	<input type="text"/>
ORG:	<input type="text"/>	<input type="text"/>
BUDGET CHK:	<input type="text"/>	<input type="text"/>
FUND:	<input type="text"/>	<input type="text"/>
OBJECT:	AIFG	AIFG
PROGRAM:	<input type="text"/>	<input type="text"/>
CENTER REF:	<input type="text"/>	<input type="text"/>

OK Cancel Clear Help

- Click in the grey **Accounts** box in order to bring up the **Find Accounts** dialog box
- Enter the appropriate "Statistical" rate (e.g., **AIFG**) in the object code field and click on **[OK]**

Finding 'Statistical' Rates in BEN Financials (continued)

Account Inquiry (Penn General Ledger)

Ledger/Ledger Set: Name Currency

Accounting Periods: From To

Currency: Type Entered

Primary Balance Type: Actual Budget Encumbrance

Secondary Balance Type: Budget Encumbrance Type

Factor: Units Thousands Millions Billions

Summary Template

Accounts:

Description: UNIV/UR--N-GENERAL UNRESTR-AIF GUAR INC RA-NOT PROG REL-UNDEFINED

Buttons: Show Balances Show Journal Details Show Variance

Click **[Show Balances]**

Detail Balances (Penn General Ledger) - 000-0000-0-000000-AIFG-0000-0

Balance Type:

YTD Balances

Period	PTD	YTD	Account Description	Account
JUL-14	0.00336923	0.00336923	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
AUG-14	0.00341269	0.00678192	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
SEP-14	0.00337952	0.01016144	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
OCT-14	0.00343395	0.01359539	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
NOV-14	0.00343000	0.01702539	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
DEC-14	0.00340573	0.02043112	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
JAN-15	0.00341712	0.02384824	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
FEB-15	0.00342519	0.02727343	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
MAR-15	0.00334700	0.03062043	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
APR-15	0.00331847	0.03393890	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
MAY-15	0.00329323	0.03723213	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A
JUN-15	0.00327025	0.04050238	UNIV/UR--N-GENERAL UNRESTR-AIF GI	000-0000-0-000000-A

Buttons: Journal Details Summary Balances

Use **Period to Date (PTD)**, not Year to Date (YTD) amounts

Determining the Market Value of an Endowment Fund*

There are three basic values that can be determined for all endowment funds:

- **Book Value** is the aggregate amount of all gifts to the endowment fund plus any income reinvested in the fund
 - Book value can be obtained by totaling the AIF book value (NAC 2/1/0 YTD balances in object code 1710) and the value of any current gifts (see the next section on how to calculate net gifts)
- **Adjusted Cost** is the book value plus any Realized Gains or Losses (actual gains or losses attributed to the sale of underlying securities)
- **Market Value** is the Adjusted Cost plus any Unrealized Gains or Losses (“paper” gains or losses from changes in the value of assets that continue to be held)

** Consult with your Development Officer before releasing this information to donors*

Determining Income for New Gifts (Net Gift Calculation)

Net Gifts are calculated by adding together period to date (**PTD**) activity in

- Object Code 4400 (Gift Revenue)
- Object Codes 1230, 1237 (Contributions Receivable)
- Object Code 4704 (Realized Gain/Loss from Gifts of Securities)
- Object Codes 1780 (Publicly traded securities held by Treasurer), 1781 (Real Estate Investment Holdings), 1782 (Insurance Policy Held for Investments)

This total is the new available gifts for a given fund. New available gifts will be invested in the following month after the close of the period (e.g., new gift receipts are received into an endowment on 3/10/xx, investment will occur effective 4/1/xx). These monies are reflected in the period to date '1710' AIF Book value in the APR-xx period.

Multiply the above market value (remember for a new gift, the investment book value is equal to the market value – there have not yet been any unrealized gains or losses) by AIFG (Associated Investments Fund Guaranteed Rate) of the following month. This will equal the monthly distributable guaranteed income. Multiply by the number of periods remaining in the fiscal year to arrive at the fiscal year guaranteed income. Decrease that amount by the indirect cost recovery charge (20%) (if applicable) to get net spendable income on a new gift.

How Endowment Income is Posted

Let's examine a sample new endowment account so we can see how income is posted. Assume that a new gift of \$100,000, designated by the donor as a true endowment, is received in DEC-XX. This gift would be recorded in the BEN Financials General Ledger as follows:

Debit (DR)	Credit (CR)
Object Code 11XX (appropriate Cash object code)	Object Code 4400 (Gift Revenue General)

The result would appear on your **DEC-XX 114.ORG** report under "Derived Cash". True endowments are permanently restricted, so the balance would appear in NAC 2:

	UNRESTRICTED NAC: 0	TEMP RESTRICTED NAC: 1	PERM RESTRICTED NAC: 2
	-----	-----	-----
ASSETS			
Derived Cash			100,000.00
Investments (Fair Market Value):			
Book Value - Orig Gift:			
Direct Holdings			
AIF			
Total Book Value - Orig Gift:			
Book Value: Spending Rule			
Realized Gains/Losses			
Unrealized Gains/Losses			
Total Investments (Fair Mkt Value)			
TOTAL ASSETS			100,000.00

Note: You can run 114.ORG reports at any time, however please note that current market values and projected FYXX AIF income will not be available until AIF income distribution posts by the 10th business day of the current month.

How Endowment Income is Posted (continued)

At the beginning of the next month, JAN-XX, the gift is invested in the AIF, resulting in the following entry in the BEN Financials General Ledger:

Debit (DR)	Credit (CR)
Object Code 1710	Object Code 11XX
(AIF Investment Book Value)	(appropriate Cash object code)

On the JAN-XX **114.ORG** report, you would see the gift move from "Derived Cash" to "AIF":

	UNRESTRICTED NAC: 0	TEMP RESTRICTED NAC: 1	PERM RESTRICTED NAC: 2
	-----	-----	-----
ASSETS			
Derived Cash			
Investments (Fair Market Value):			
Book Value - Orig Gift:			
Direct Holdings			
AIF			100,000.00
	-----	-----	-----
Total Book Value - Orig Gift:			100,000.00
Book Value: Spending Rule			
Realized Gains/Losses			
Unrealized Gains/Losses			
	-----	-----	-----
Total Investments (Fair Mkt Value)			100,000.00
	-----	-----	-----
TOTAL ASSETS			100,000.00

How Endowment Income is Posted (continued)

Since the gift is now invested, it will begin earning income and experiencing gains and losses. AIF activity is journaled by the 10th business day in FEB-XX and back-dated to JAN-XX. In order to determine the amount of income posted, we'll assume we've obtained the following "Statistical" object codes for JAN-XX:

- AIFG (Guaranteed Rate) = 0.00432247
- AIFR (Realized Gains) = (0.00004364)
- AIFU (Unrealized Gains) = (0.00817600)
- AIFS (Spending Rule) = (0.00228509)

To determine the amount of money available for spending, simply take the original gift and multiply by AIFG ($\$100,000 \times 0.00432247 = \432.25). This \$432.25 includes indirect cost recovery, however. The actual amount that can be budgeted for expenses is 80% of that amount (100% - 20% indirect cost recovery), or \$345.80. This amount - \$345.80 – appears in "Derived Cash" in the unrestricted net asset class (NAC 0). For the remaining periods in FYXX, the monthly spending rule income distribution will remain the same at \$345.80 (net of indirect cost recovery) barring new gifts or liquidations from principal during the current FY).

Realized gains post as follows:

Debit (DR)	Credit (CR)
Object Code 1711 (AIF Investment Realized Gain)	Object Code 4711 (AIF Income Realized Gain)

If there is a realized loss, the debit and credit object codes would be reversed (i.e., 1711 would be credited and 4711 would be debited). In our example, there was a realized loss, because AIFR is negative. To calculate, take the original gift and multiply times AIFR ($\$100,000 \times -0.00004364 = -4.364$). This amount, (\$4.36), appears in "Realized Gains/Losses" in the temporarily restricted net asset class (NAC 1).

Unrealized gains post as follows:

Debit (DR)	Credit (CR)
Object Code 1712 (AIF Investment Unrealized Gain)	Object Code 4712 (AIF Income Unrealized Gain)

If there is an unrealized loss, the debit and credit object codes would be reversed (i.e., 1712 would be credited and 4712 would be debited). In our example, there was an unrealized loss, because AIFU is negative.

How Endowment Income is Posted (continued)

To calculate unrealized gains/losses, take the original gift and multiply times AIFU ($\$100,000 \times -0.00817600 = -817.60$). This amount, ($\817.60), appears in "Unrealized Gains/Losses" in the temporarily restricted net asset class (NAC 1).

Spending rule reinvestment posts as follows:

Debit (DR)	Credit (CR)
Object Code 1713	Object Code 4713
(AIF Spending Rule Investment Book Value)	(AIF Spending Rule Income)

If the spending rule income is negative (i.e., the actual rate of return is less than the guaranteed rate of return on the endowment), the debit and credit object codes would be reversed (i.e., 1713 would be credited and 4713 would be debited). In our example, this was the case, because AIFS is negative. To calculate, take the original gift and multiply times AIFS ($\$100,000 \times -0.00228509 = -228.51$). This amount, ($\228.51), appears in "Book Value: Spending Rule" in the temporarily restricted net asset class (NAC 1).

This gives us the complete picture for the JAN-XX 114.ORG report:

	UNRESTRICTED NAC: 0	TEMP RESTRICTED NAC: 1	PERM RESTRICTED NAC: 2
	-----	-----	-----
ASSETS			
Derived Cash	345.80 ³		
Investments (Fair Market Value):			
Book Value - Orig Gift:			
Direct Holdings			
AIF			100,000.00
	-----	-----	-----
Total Book Value - Orig Gift:			100,000.00
Book Value: Spending Rule		(228.51) ⁴	
Realized Gains/Losses		(4.36) ⁵	
Unrealized Gains/Losses		(817.60) ⁶	
	-----	-----	-----
Total Investments (Fair Mkt Value)			100,000.00
	-----	-----	-----
TOTAL ASSETS	345.80	(1,050.47)	100,000.00

³ Original gift ($\$100,000$) x AIFG

⁴ Original gift ($\$100,000$) x AIFS

⁵ Original gift ($\$100,000$) x AIFR

⁶ Original gift ($\$100,000$) x AIFU

How Endowment Income is Posted (continued)

Shortcut for Calculating How Income is Posted

Now that you have the mechanics of the income distribution processes, here is a shortcut method for calculating how endowment income is posted. Take AIFG rate and multiply it by your prior month Market Value. This calculation will give you the monthly spending rule income for your endowment fund. For funds with new gifts only, use new gift value, instead of prior month Market Value.

Reports

10X.ORG Summary Report

The BEN Financials 10X.ORG summary report is designed to support the monthly review and reconciliation of revenue and expenses. The report provides revenue and expense budget, actual, encumbrance and budget balance available **summarized** at the object code level using the Responsibility Center Management (RCM) format, and includes both period-to-date (current month) and year-to-date balances.

If budget information for this fund was entered in Hyperion Planning, it will appear in this column. If not, column will contain all zeroes.

Revenue reclassification setting for the fund:
A = Automatic
M = Manual
T = Timed

	ORIGINAL BUDGET	CURRENT ANNUAL BUDGET	CURRENT MONTH ACTUALS	FYTD ACTUALS	% ACT TO CUR BUDGET (25% of FY)	ENCUMBRANCES	% ACT/ENC TO CURRENT BUDGET	BUDGET BALANCE AVAILABLE
DATE RUN: 10/05/2015 TIME RUN: 06:36:23 UNIVERSITY OF PENNSYLVANIA BEN FINANCIALS 100.ORG: REVENUE & EXPENSE SUMMARY BY CNAC/ORG/FUND ACCOUNTING PERIOD: SEP-15 RECLASS OPTION: M FORMAT: Dr / (Cr) REPORT BREAK: CNAC/ORG/FUND CNAC/ORG/FUND: 07S/0790/404208 DESCRIPTION: WH-070,071/LAUDER INST/RHEINBABEN, RIC								
REVENUES & TRANSFERS								
DIRECT REVENUES:								
INVESTMENT INCOME:								
Inv Inc Before Overhead & Admin:								
AIF Investment Income				(91)	10.16%	0	10.16%	(805)
4710 AIF INV INC								
Inv Inc Before Overhead & Admin	(896)	(896)	0	(91)	10.16%	0	10.16%	(805)
Overhead & Admin - Investment								
4792 INV INC O/H CHG	179	179	0	18	10.06%	0	10.06%	161
INVESTMENT INCOME	(717)	(717)	0	(73)	10.18%	0	10.18%	(644)
DIRECT REVENUES	(717)	(717)	0	(73)	10.18%	0	10.18%	(644)
TOTAL REVENUES & TRANSFERS	(717)	(717)	0	(73)	10.18%	0	10.18%	(644)
RCM OPERATING (SURPLUS)/DEFICIT	(717)	(717)	0	(73)	10.18%	0	10.18%	(644)
CASH EFFECT - OTHER ACTIVITY:								
CASH EFFECT - OTHER ACTIVITY	0	0		0				
CURRENT YEAR CASH POSITION (SUR)/DEF	(717)	(717)		(73)				
PRIOR YEAR CASH POSITION (SUR)/DEF	0	(205)		(205)				
CUMULATIVE CASH POSITION (SUR)/DEF	(717)	(922)		(278)				

Budget Balance Available = Current Budget - Actuals - Encumbrances.

"Prior Year Cash Position" is any surplus or deficit balance carried forward from prior fiscal years. Surplus balances have parentheses around them, deficits do not.

Any differences between this column and the "Original Budget" column are budget transactions entered through the BEN Financials Budget Journal Entry responsibility.

When running the 10X.ORG reports, it is extremely important to use 'S' as the NAC Low and NAC High parameters. This will produce a report which summarizes the activity for **both** unrestricted (NAC 0) **and** temporarily restricted (NAC 1) dollars. If you don't run the report with this parameter, activity in accounts with manual revenue reclassification will net to zero.

10X.ORG Summary Report, continued

CNAC/ORG/FUND: 510/5100/4		DESCRIPTION:							
	ORIGINAL BUDGET	CURRENT ANNUAL BUDGET	CURRENT MONTH ACTUALS	FYTD ACTUALS	% ACT TO CUR BUDGET (41% of FY)	ENCUMBRANCES	% ACT/ENC TO CURRENT BUDGET	BUDGET BALANCE AVAILABLE	
REVENUES & TRANSFERS									
Direct Revenues									
INVESTMENT INCOME									
Inv Income Before Overhead & Admin:									
Investment Income Reclassification									
4810 RCLS ENDOW INC	0	0	(259)	(779)	0.00%	0	0.00%	779	
Total Inv Inc Before Overhead & Admin	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL INVESTMENT INCOME	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL DIRECT REVENUES	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL REVENUES & TRANSFERS	0	0	(259)	(779)	0.00%	0	0.00%	779	

NAC 0 – report shows unrestricted activity **only**

CNAC/ORG/FUND: 515/5100/4		DESCRIPTION:							
	ORIGINAL BUDGET	CURRENT ANNUAL BUDGET	CURRENT MONTH ACTUALS	FYTD ACTUALS	% ACT TO CUR BUDGET (41% of FY)	ENCUMBRANCES	% ACT/ENC TO CURRENT BUDGET	BUDGET BALANCE AVAILABLE	
REVENUES & TRANSFERS									
Direct Revenues									
INVESTMENT INCOME									
Inv Income Before Overhead & Admin:									
AIF Investment Income									
4710 AIF INV INC	0	0	(259)	(779)	0.00%	0	0.00%	779	
Total Inv Inc Before Overhead & Admin	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL INVESTMENT INCOME	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL DIRECT REVENUES	0	0	(259)	(779)	0.00%	0	0.00%	779	
TOTAL REVENUES & TRANSFERS	0	0	(259)	(779)	0.00%	0	0.00%	779	

NAC S – report shows unrestricted PLUS temporarily restricted activity

Note: New gifts to endowment accounts now appear on the 10X.ORG reports. It is important to remember that gifts to endowment accounts are *invested*, not spent. Thus, while you will see the gift on the 10X.ORG report, the following month it will be offset as the money is invested in the AIF. Do not budget the principal for gifts that appear in endowment accounts (see the Endowment Guide for further details).

*Important: Permanently restricted (NAC 2) activity will **never** appear on a 10X.ORG report. In order to see permanently restricted activity, you need to run a 114.ORG endowment report or a 116.ORG gift report.*

114.ORG Endowment Fund Summary Report and 116.ORG Gift Fund Summary Report

The 114.ORG endowment fund summary report and the 116.ORG gift fund summary report provide financial information for endowment and gift funds respectively, summarized at the fund level. The information displayed on the three-page report crosses all schools and organizations for the fund being reported; therefore the report can only be run by the responsible organization (RESP ORG). **This is the report that generates the most complete picture of your gifts and endowments, because it shows balances and activity in all three net asset classes (NACs).**

The report is run for a single **closed** accounting period and is divided into three pages:

1. The Statement of Financial Position (page 1) represents endowment fund assets and liabilities organized by net asset class (NAC)
2. The Statement of Activities (page 2) shows fiscal year revenue and expense by net asset class (NAC)
3. Current Fiscal Year Operating Activity (page 3) gives summary year-to-date revenue and expense balances for all ORGs where unrestricted activity has occurred

Page One Header – Fund Attribute Information

<p>DATE RUN: 10/05/2015 TIME RUN: 16:38:12</p> <p>RESP ORG: [REDACTED]/LAUDER INST</p> <p>FUND TYPE: TRUE ENDOWMENT DATE FUND ESTABLISHED: 01-JUL-2014 FUND PURPOSE: 01-INSTRUCTION</p> <p>REVENUE TREATMENT: 1-TRUE/TERM ORG RESPONSIBLE FOR INTERNAL DESIGNATIONS:</p>	<p>UNIVERSITY OF PENNSYLVANIA BEN FINANCIALS 114.ORG: ENDOWMENT FUND SUMMARY</p> <p>SUMMARY AS OF: AUG-2015</p> <p>RECLASS OPTION: M SUBJECT TO OH?: Y SUBJECT TO SR?: Y REINVESTED?: N</p>	<p>Revenue Reclassification: A = Automatic M = Manual T = Timed</p>	<p>ORG, Program, or Object Code expenditure restrictions based on donor-imposed conditions</p> <p>DONOR RESTRICTIONS: ORG: [REDACTED] LAUDER INST PROGRAM: 7001/INSTRUCT ADM DE OBJECT:</p>	<p>Additional ORG or Program expenditure restrictions based on Penn-imposed conditions (generally only used for quasi/FFE endowments)</p> <p>PENN DESIGNATIONS: ORG: PROGRAM:</p>	<p>PAGE: 1 PROGRAM ID: glr</p> <p>FUND: [REDACTED]</p> <p>PROJECTED GROSS AIF INCOME FOR FY 2016: (545.43) PROJECTED NET AIF INCOME FOR FY 2016: (436.35)</p>
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Fund Purpose and Revenue Treatment are determined by Gifts and Investment Svcs. based on the gift agreement and donor's intentions.

Is the fund subject to indirect cost recovery (formerly called overhead (OH))?
Y = Yes
N = No

Is the fund subject to the spending rule?
Y = Yes
N = No

Is income reinvested in the fund?
Y = Yes
N = No

Projected Gross AIF Income is the income expected to be earned on the fund during the current fiscal year. Projected Net AIF Income factors in indirect cost recovery (if any) on the fund and a **one-month lag** (e.g., SEP-02 report is net income based on AUG-02 balances). *Note: Includes the additional income distribution for financial aid endowments.*

114.ORG and 116.ORG reports, continued

Page One – Statement of Financial Position

Derived Cash is the cumulative amount of cash available in the fund. FYTD actuals from the 100.ORG report will correlate to this category.

PART 1: STATEMENT OF FINANCIAL POSITION

	UNRESTRICTED NAC: 0	TEMP RESTRICTED NAC: 1	PERM RESTRICTED NAC: 2	CURRENT BALANCE	FY BEGINNING BALANCE	NET CHANGE
ASSETS						
Derived Cash	0.00	277.75	0.00	277.75	205.03	72.72
Investments (Fair Market Value):						
Book Value - Orig Gift:						
Direct Holdings	0.00	0.00	0.00	0.00	0.00	0.00
AIF	0.00	0.00	12,500.00	12,500.00	12,500.00	0.00
Total Book Value - Orig Gift	0.00	0.00	12,500.00	12,500.00	12,500.00	0.00
Book Value: Spending Rule	0.00	(327.68)	0.00	(327.68)	(240.46)	(87.22)
Realized Gains/Losses	0.00	475.54	0.00	475.54	409.13	66.41
Unrealized Gains/Losses	0.00	(44.31)	0.00	(44.31)	385.80	(430.11)
Total Investments (Fair Market Value):	0.00	103.55	12,500.00	12,603.55	13,054.47	(450.92)
TOTAL ASSETS	0.00	381.30	12,500.00	12,881.30	13,259.50	(378.20)
LIABILITIES						
TOTAL LIABILITIES	0.00	0.00	0.00	0.00	0.00	0.00
NET ASSETS	0.00	381.30	12,500.00	12,881.30	13,259.50	(378.20)

Non-AIF holdings in the fund.

Book Value: Spending Rule = "Spending Rule Principal". If the actual return on the AIF is higher than the spending rule percentage, the excess is used to buy more investments. If the total return is lower than the spending rule percentage, then the "spending rule principal" is liquidated to generate additional cash for the fund. If an endowment is new enough (like this one), insufficient spending rule principal may exist to cover the amount of cash guaranteed to the fund, in which case the Book Value: Spending Rule will be negative.

Net increase or decrease in assets during the current fiscal year – this will match the FYTD total on the Statement of Activities (page two of the 114.ORG report)

114.ORG and 116.ORG reports, continued

Page Two – Statement of Activities

PART 2: STATEMENT OF ACTIVITIES	UNRESTRICTED NAC: 0	TEMP RESTRICTED NAC: 1	PERM RESTRICTED NAC: 2	FYTD TOTAL
REVENUE				
Gifts:				
Gift Revenue	0.00	0.00	0.00	0.00
Indirect Cost Recovery	0.00	0.00	0.00	0.00
Net Gifts	0.00	0.00	0.00	0.00
Investment Income:				
Investment Income	0.00	(90.90)	0.00	(90.90)
Indirect Cost Recovery	18.18	0.00	0.00	18.18
Net Investment Income	18.18	(90.90)	0.00	(72.72)
Gains/Losses	0.00	363.70	0.00	363.70
Spending Rule Income	0.00	87.22	0.00	87.22
Other Income	0.00	0.00	0.00	0.00
Reclassifications	(18.18)	18.18	0.00	0.00
Other Transfers	0.00	0.00	0.00	0.00
TOTAL REVENUE	0.00	378.20	0.00	378.20
TOTAL EXPENSE	0.00	0.00	0.00	0.00
NET CHANGE	0.00	378.20	0.00	378.20

Gross Income Earned – year-to-date

Total expenses charged, year-to-date (all expenses are unrestricted - NAC 0)

Total activity for all net asset classes – this figure should match the "Net Change" from the Statement of Financial Position (page 1 of the 114.ORG Report). Even though these figures will match, the signs will always be different i.e. positive/(negative). In this example, there was a \$378.20 net decrease in value. This net change is shown as a positive figure \$378.20 on Page 2 of the 114.ORG Report which means the net change is shown as a negative figure (\$378.20) on page 1 of the 114.ORG Report.

114.ORG and 116.ORG reports, continued

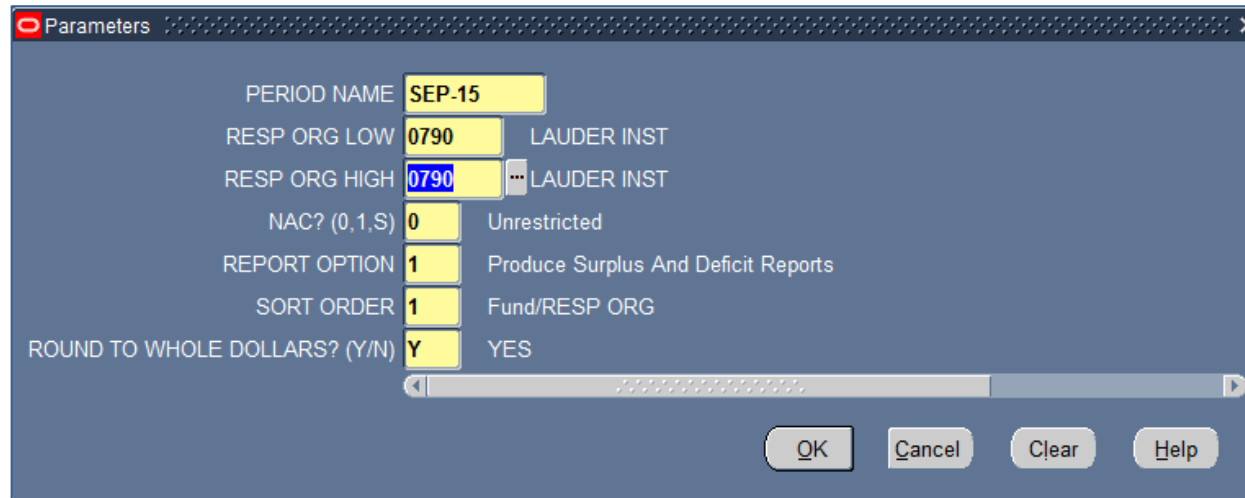
Page Three – Current Fiscal Year Operating Activity in the Unrestricted Net Asset Class (NAC 0)

For the same CNAC/ORG/FUND combination, this information should agree with the 100.ORG report for the same period.

PART 3: CURRENT FY OPERATING ACTIVITY (NAC 0):		FYTD BUDGET	FYTD ACTUALS	FYTD ENCUMBRANCE	FYTD BBA
ORG: [REDACTED]	Total Revenues & Transfers	(717.08)	0.00	0.00	(717.08)
	Expense	0.00	0.00	0.00	0.00
	RCM OPERATING (SURPLUS)/DEFICIT	(717.08)	0.00	0.00	(717.08)
	CASH EFFECT - OTHER ACTIVITY	0.00	0.00		
	CURRENT YEAR CASH POSITION (SUR)/DEF	(717.08)	0.00		
	PRIOR YEAR CASH POSITION (SUR)/DEF	0.00	0.00		
	CUMULATIVE CASH POSITION (SUR)/DEF	(717.08)	0.00		
=====					
FUND TOTAL	Total Revenues & Transfers	(717.08)	0.00	0.00	(717.08)
	Expense	0.00	0.00	0.00	0.00
	RCM OPERATING (SURPLUS)/DEFICIT	(717.08)	0.00	0.00	(717.08)
	CASH EFFECT - OTHER ACTIVITY	0.00	0.00		
	CURRENT YEAR CASH POSITION (SUR)/DEF	(717.08)	0.00		
	PRIOR YEAR CASH POSITION (SUR)/DEF	0.00	0.00		
	CUMULATIVE CASH POSITION (SUR)/DEF	(717.08)	0.00		

205.SCH Surplus/Deficit Report

The 205.SCH surplus/deficit report provides a one-line summary for all accounts in your ORG. This enables you to quickly identify if an account has a surplus or deficit. Funds with a balance of exactly \$0 will not display on this report. The report will display both endowment and gift activity for a specific RESP ORG, displaying the endowments as “Designated Investment Income Funds” and the gifts as “Designated Gift Funds”.



PERIOD NAME	SEP-15
RESP ORG LOW	0790 LAUDER INST
RESP ORG HIGH	0790 LAUDER INST
NAC? (0,1,S)	0 Unrestricted
REPORT OPTION	1 Produce Surplus And Deficit Reports
SORT ORDER	1 Fund/RESP ORG
ROUND TO WHOLE DOLLARS? (Y/N)	Y YES

Description of Report Parameters

NAC	Selects the Net Asset Classes (NACs) that will display on the report: 0 = Unrestricted (NAC 0) 1 = Temporarily Restricted (NAC 1) S = Sum of Unrestricted and Temporarily Restricted Asset Classes
Report Option	Selects the type of report to be run: 1 = Show accounts with surpluses or with deficits 2 = Show accounts with deficits 3 = Show accounts with surpluses
Sort Order	Selects the order in which accounts will be displayed: 1 = List accounts by FUND; within each FUND sort by RESP ORG 2 = List accounts by RESP ORG; within each RESP ORG sort by FUND

205.SCH Surplus/Deficit Report, continued

Prior year (carry-forward)
balance for the account

DATE RUN: 10/05/2015
TIME RUN: 18:07:13

RESPONSIBLE
SCHOOL/CENTER: 07
NAC OPTION: S

NAC S – report shows
unrestricted PLUS temporarily
restricted activity

UNIVERSITY OF PENNSYLVANIA
BEN FINANCIALS
205.SCH: SURPLUS REPORT

PAGE: 2
PROGRAM ID: glrp6205.rdf

FOR PERIOD OF: SEP-15
DESCRIPTION: Wharton School/Unrestricted PLUS Temp Restricted

FUND-RESP ORG DESCRIPTION	CENTER	ORG	CURRENT YEAR (SUR)/DEF	CURRENT YEAR CASH EFFECT	CURRENT YEAR NET CASH	PRIOR YEAR (SUR)/DEF	CASH POSITION (SUR)/DEF
40-07-████████████████████	07	07	3,329	0	3,329	(18,588)	(15,259)
40-07-████████████████████	02	02	0	0	0	(1,000)	(1,000)
40-07-████████████████████	07	07	4,110	0	4,110	(27,326)	(23,216)
TOTAL FOR FUND 40-███ :			4,110	0	4,110	(28,326)	(24,216)
40-07-████████████████████	07	07	1,116	0	1,116	(13,948)	(12,832)
40-07-████████████████████	07	07	10,239	0	10,239	(45,286)	(35,046)
40-07-████████████████████	07	07	0	0	0	(5,000)	(5,000)
TOTAL FOR FUND 40-███ :			10,239	0	10,239	(50,286)	(40,046)
40-07-████████████████████	07	07	(459)	0	(459)	(1,641)	(2,100)
40-07-████████████████████	07	07	4,199	0	4,199	(5,110)	(911)
40-07-████████████████████	07	07	(49)	0	(49)	(240)	(289)
40-07-████████████████████	07	07	6,456	0	6,456	(15,808)	(9,352)
40-07-████████████████████	07	07	(73)	0	(73)	(205)	(278)
40-07-████████████████████	07	07	(1,225)	0	(1,225)	(2,421)	(3,647)
40-07-████████████████████	07	07	(70)	0	(70)	0	(70)
40-07-████████████████████	07	07	(348)	0	(348)	(164)	(512)
40-07-████████████████████	07	07	(300,000)	0	(300,000)	0	(300,000)
46-07-████████████████████	07	07	(537,472)	369	(537,103)	(176,155)	(713,259)
46-07-████████████████████	07	07	(4,677)	0	(4,677)	(20,490)	(25,167)
46-07-████████████████████	07	07	(1,085)	0	(1,085)	(8,317)	(9,401)
46-07-████████████████████	07	07	(2,895)	0	(2,895)	(26,017)	(28,911)
46-07-████████████████████	07	07	19,110	0	19,110	(52,678)	(33,567)
46-07-████████████████████	07	07	(1,742)	0	(1,742)	(12,468)	(14,210)
TOTAL FOR FUND GROUP Designated Investment Income Funds :			(801,536)	369	(801,167)	(432,862)	(1,234,027)

These columns correspond to the rows at the bottom of the 10X.ORG report, showing current year surplus or deficit information, any surplus/deficit carry-forward amounts, and the total cash position of the account taking into account prior and current-year activity.

300.BUD Budgetable Amount – Operating Gifts Report

The 300.BUD report provides information to assist in the budgeting of operating gift funds (6xxxxx funds). This report shows budget information only – what is available to be budgeted versus what has been budgeted. No actual encumbrance or expense data is included in the report.

PAGE: 1
PROGRAM ID: GLRP6300.RDF

UNIVERSITY OF PENNSYLVANIA
BEN FINANCIALS
300.BUD: BUDGETABLE AMOUNT - OPERATING GIFTS

DATE RUN: 10/05/15
TIME RUN: 18:06:22

REPORT BREAK: SCHOOL OR CENTER
SCHOOL OR CENTER: 070 - 071
REPORT TYPE: School or Center by Fund

FOR MONTH OF: SEP-15
DESCRIPTION: Wharton School

RESP ORG	FUND	FUND DESCRIPTION	DONOR ORG	RESTRICT PROG	PENN OBJ	DSGN ORG	PR PROG	YR NAC	CASH 0	POSITION(SUR/DEF) NAC 1	FYTD CURRENT INCOME	BUDGETABLE EXPENDITURES			FYTD BUDGETED EXPENDITURES	AVAILABLE TO BE BUDGETED/ (OVERBUDGETED)	
												DIRECT	OVERHEAD	TOTAL			
07	6		07	5	TEXP				0	(12,183)	5,000	7,183	0	7,183	4,000	3,183	
07	6		07	7	TEXP				0	(67,826)	(32,500)	76,609	23,717	100,326	65,000	35,326	
07	6		07	7	TEXP				0	(69,627)	(117,500)	136,546	50,581	187,127	234,999	(47,873)	
07	6		07	7	TEXP				0	(14,915)	0	11,917	2,998	14,915	6,000	8,915	
07	6		07	7	TEXP				0	(43,335)	(50,000)	67,711	25,624	93,335	100,000	(6,665)	
07	6		07	1	TEXP				0	(496,831)	(1,985,549)	2,482,381	0	2,482,381	0	2,482,381	
07	6		07	5					0	(10,000)	(15,000)	25,000	0	25,000	30,000	(5,000)	
07	6		07						0	(353,029)	(525,183)	660,135	218,077	878,212	669,000	209,212	
07	6		07	5	4182				0	(149,782)	12,150	137,632	0	137,632	25,000	112,632	
Total										0	(1,217,528)	(2,708,582)	3,605,114	320,997	3,926,111	1,133,999	2,792,111
Grand Total										0	(1,217,528)	(2,708,582)	3,605,114	320,997	3,926,111	1,133,999	2,792,111

The amount that has already been budgeted in this account (including amounts budgeted for indirect cost recovery)

Total resources available for the gift fund. This is the sum of the prior year balances in NAC 0 and NAC 1 and the FYTD Current Income.

Total amount available to budget = total resources available – what's already been budgeted.

304.BUD Negative BBA Report

The 304.BUD report shows negative budget balances. Negative budget balances can exist in a gift or endowment fund if:

- no budget exists and expense activity has taken place (an example of this case appears below)
- the actual plus encumbered expenses exceed the budget
- if spending pace exceeds yield postings (yield posted monthly in periods 2-13)
- if fund is flagged for reinvestment but spending is occurring

DATE RUN: 01/05/2004		UNIVERSITY OF PENNSYLVANIA		PAGE: 1			
TIME RUN: 19:30:41		BEN FINANCIALS		PROGRAM ID: glrp6304.rdf			
		304.BUD: NEGATIVE BBA ORG/FUND YTD					
REPORT BREAK: CNAC		FOR MONTH OF: DEC-03					
CNAC: 510 / School of Dental Medicine							
BC: 1		REPORT SELECTION: Budgetary Control Violations Report by Organization					
Org	Org Description	Fund	Fund Description	Fiscal Year Budget	YTD Actual	YTD Encumbrance	Budget Balance Available
5100	SCHOOL OF DENTAL MEDICIN 6			0.00	638.45	0.00	(638.45)
TOTAL CNAC:				0.00	638.45	0.00	(638.45)
GRAND TOTAL:				0.00	638.45	0.00	(638.45)

Revision History

Date	Page Number(s)	Topic
April 14, 2004	2 & 18	Page 2: Added Trust Administration contact information. Page 19: Corrected OBJC 1238 Net Present Discount from DB to CR column
December 18, 2003	All	New User Guide
June 17, 2010	Various	Updated new forms, new object codes, added new text, removed 'Central' from GAA Changed Pillar to Hyperion Planning
April 9, 2014	Page 20 & 28	Page 20: Added 'Recognizing Present Value' Page 28: Operating gifts funds manually reclassified
October 15, 2015	Various	Combined Gifts, Endowments and Reports User Guides into one User Guide. Updated forms, object codes, text, screen shots, etc.
June 30, 2016	Pages 5, 6	Removed 'BEN Reports' reference; no longer exists
February 16, 2018	Page 43	Updated Spending Rule Rate from 4.7% to 5.0%