

UNIVERSITY OF WATERLOO

INTERFUND TRANSFERS

Accounting guidelines recommended by the Canadian Institute of Chartered Accountants (CICA) require that the University report restricted resources separately. To accomplish this, resources must be segregated by restriction and purpose and recorded in the corresponding fund in the University's accounting system. To maintain this distinction, it is important to minimize the flow of resources between funds. The following circumstances have been identified under which interfund transfers can be processed.

- 1) All donations are recorded in the trust fund upon receipt and are subsequently disbursed to the appropriate restricted or unrestricted fund, preferably in the same fiscal year. If this disbursement occurs in a subsequent fiscal year, all transfers of revenue from prior years must be accounted for as interfund transfers. These transfers are initiated by the Office of Development and approved by the Director, Finance.
- 2) The University encourages the endowing of donations that have not been specifically endowed by the donor. To record these transactions in our accounting system, funds are transferred from trust accounts to endowment principal and these transfers must be authorized and approved by the appropriate Dean, Vice President or Associate Provost.
- 3) The University may internally restrict the use of investment income earned on an endowment fund where such income has not been externally restricted by the endowment donor. To effect this internal restriction, funds are transferred from an unrestricted fund to the trust fund with the approval of the Vice President, Academic and Provost or delegate.
- 4) The University, via the Finance and Investment Committee, endorses the general principle of maintaining the purchasing power of all endowment funds. A minimum portion of the investment income, as determined by the Committee, is added to the endowment principal each year and the recording of this capitalization of investment income is achieved through interfund transfers from either an unrestricted fund or trust fund to the endowment principal.
These transfers are approved by the Director, Finance. Funds transferred over and above the minimum require the authorization and approval of the endowment account holder.
- 5) Transfers of funds from either an unrestricted or restricted fund to the capital fund are required to cover the cost of capital assets, as defined in the University's Capital and Non-Capital Assets policy. These transfers require the approval of the Director, Finance.
- 6) Some accounts may require realignment to other funds to accomplish the reporting requirements recommended by the CICA. These transfers require the approval of the Director, Finance.
- 7) The University does not normally restrict the use of operating funds through a transfer to restricted funds, including endowment. There are situations, however, where a donor makes a substantial contribution to support the University's teaching and research through endowed chairs and in doing so asks for matching funds from the University. In cases where funds are received for endowment purposes, and the donor has asked for matching funds, the University will transfer operating funds to endowment if the request is equal to or exceeds \$1,000,000 in total. All matching arrangements must have the prior approval of the Vice-President, Academic and Provost.