
What is changing?

Effective January 1, 2014 gifts to ASU and the ASU Foundation will be subject to a 95%/5% allocation of gift funds for the donor’s designation and for university initiatives, respectively.

What gifts are impacted by this change?

All gifts, including gifts to departments, gifts to fund scholarships, and gifts to fund capital projects will be subject to the 95%/5% allocation. (Contact ASUF regarding the treatment of pledges)

Does it matter if the gift is made to ASU or the ASU Foundation?

The department will have the same amount of funding available, whether the gift is to ASU or ASU Foundation.

Example 1: Donor A gives $500 to the ASU Foundation in support of sustainability efforts of ASU’s College ABC.

For any gift received by the ASU Foundation, a donor may restrict 95% of the gift for use by College ABC, the remaining 5% will be unrestricted for the Foundation’s use to support University initiatives.

The $500 is deposited into the ASU Foundation account of College ABC, with 5% or $25 being reallocated to the ASUF unrestricted account. The department transfers the funding in its ASUF account to its University account for spending. Using code ASUF deposit codes of 5390 05 or 5390 5X, $475 is deposited into College ABC’s Advantage account, ZZ91014 – with the entire amount ($475) available for spending. The gift funds will not be subject to the University’s administrative service charge.

Example 2: Donor A gives $500 to the ASU in support of sustainability efforts of ASU’s College ABC.

If gifts are given directly to ASU, the gift funds will be deposited (through the ASU Foundation) directly into the responsible ASU account. ASU will reallocate 5% of the gift into an unrestricted central university account to be used for university initiatives at the discretion of the University’s executive administration. Gift funded expenses will not be subject to the University’s administrative service charge.

The $500 is deposited into the Advantage account of College ABC, ZZ91014, with 5% or $25 being reallocated to an unrestricted university initiatives account. The College has $475 in its account available for spending. Gift funded expenses will not be subject to the University’s administrative service charge.
Do ASU departments need to establish new gift accounts in Advantage?

Possibly.

Effective July 1, 2014 departments must have Gift accounts established in Advantage. These can be existing accounts converted before July 1, 2014, or departments can establish new Advantage accounts. In order to be exempt from ASC, gifts are the only allowable revenue source for these accounts. ASC-exempt Gift accounts will be in the restricted fund and will be identified by the letters ‘GG’ preceding the account name, GG-ABC Dean’s Office Gift Account.

Financial Services is in the process of reviewing gift accounts currently established in Advantage. Existing accounts solely funded by gift revenues (revenue code beginning with 5390) can be exempted from ASC effective 1/1/2014. However, departments will be assessed an 8.5% reallocation on any balance forward in the Gift account, since this funding is not exempt of the 8.5% administrative service charge. Departments should work with Financial Services if the department subsequently uses part of the balance forward to fund ASC exempt expenses such as scholarships or transfers out. Financial Services will reverse the related portion of the 8.5% ASC assessment against the balance forward. However, if the transfer is to another Gift account, the 8.5% assessment will be reversed from the Gift account funding the transfer and an 8.5% assessment will be charged to the Gift account receiving the transfer. Existing accounts with balance forward funding must be converted to Gift accounts before 7/1/2014.

If they prefer, departments can set up new Gift accounts that will be exempt from ASC. The gift revenue source, 5390, is the only revenue source allowed on Gift accounts in order to maintain the ASC exemption. If departments transfer funds out of a Gift account to spend in another account, the funds will be subject to ASC rules of the other account. Gift accounts cannot be used to record non-gift revenue, including transfers in from non-Gift accounts.

It is recommended that departments establish separate gift accounts for major recurring gifts. This will help facilitate reviews to ensure gifts are spent in accordance with donor wishes.

How can the 5% reallocation be tracked in Advantage?

The reallocation will occur on the same cycle as the posting of administrative service charges, which typically occurs on Friday night and with monthly close processing. Departments will see a debit (reduction to revenue) using revenue code 5390 88, “Unrestricted Gift”. On a weekly basis departments should be able to correlate activity against 5390 88 to gift deposit activity.

How will the ASC exemption be handled?

For fiscal 2014, beginning 1/1/14, Gift accounts (defined as having 5390 as the only revenue source) will be exempt from ASC. No special processing is required unless a portion of the balance forward is transferred out of the Gift account, or used for scholarship expenses. In those cases departments should work with Financial Services to ensure (exceptions to this will be auxiliary accounts, or other accounts using the APPR budget rollup).

All other operating accounts will be proactively credited for ASC when gift revenue is originally deposited, e.g. if $475 is deposited as a gift, a credit against ASC of $40.38 will be processed at the time of the gift deposit. This will be a manual entry processed by Financial Services, typically within a week of the gift revenue being deposited. Expenses on the non-Gift/mixed funding account will be assessed ASC as funds are expensed. The ASC credit will offset the ASC assessment at time of expense, resulting in no ASC assessment against the gift funds. If any of the gift balance is transferred to a Gift account, the credit to ASC will be adjusted accordingly. Note: Scholarship accounts and plant accounts are not subject to ASC, so no reversal of ASC will be processed for those accounts.

Effective 7/1/2014 departments must have established Gift accounts to receive the ASC exemption. Existing accounts containing balance forward funding must be converted to Gift accounts before 7/1/2014.