BUDGETING AND ACCOUNTING

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PRESENTED FOR REVIEW BY BOARD OF TRUSTEES FEBRUARY 14, 1998

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ENTIRE CHAPTER (WITH REVISIONS) PRESENTED FOR REVIEW BY BOARD OF TRUSTEES FEBRUARY 12, 2000

ENTIRE CHAPTER (WITH REVISIONS) REVIEWED AND ENDORSED BY BOARD OF TRUSTEES MAY 20, 2000
Introduction

The policies presented here deal primarily with the interaction between the budgeting and accounting offices and the rest of the campus. Department heads need to know how to initiate annual budget requests and how to get a change made to an existing budget. Responsible employees need to know how to submit invoices for payment, how to obtain reimbursement for allowable business expenses, how to handle petty cash, how to initiate an accounting correction or funds transfer, and how to open a new account. Development staff need guidance on the establishment of new endowments and acceptance of gifts of property.

The budgeting process receives extended coverage. Properly done, preparation of the annual operating budget and capital spending budgets involves all college and department supervisors. Widespread participation increases both the reliability of the final document and its degree of acceptance by responsible faculty and administrators. Theoretical discussion of budgeting distinguishes “top-down” versus “bottom-up” techniques, indicating proposed budget numbers may originate with the highest officers or with department supervisors. Actual practice usually is a blend of the two, with the officers setting forth overall guidance, and with supervisors responding with detailed proposals for their departments.

This manual looks at the distinction between operating and capital budgeting and purchases. Capital items such as land, buildings, and major equipment or furnishings represent assets that have multiyear useful lives. Funds for the acquisition of major capital assets usually come from sources outside the annual budget, restricted gifts, special appropriations, or other.

A matter of special interest to faculty who obtain research grants is the treatment of indirect costs. Educational institutions develop rates to assign hard-to-measure administrative and space costs to research and other programs. Government and other grantors may reimburse such costs based on the rates. For government grants, the rate calculations must comply with the detailed provisions of OMB Circular A-21.

The practice of accounting and design of accounting systems are beyond the scope of this manual. Accounting is a major field of study at colleges and universities. Major programs generally have elective courses in specialized accounting theory and practices employed by not-for-profit organizations, including colleges and universities. Professionally trained accountants employed by institutions of higher education can turn to NACUBO for further guidance. The 1992 publication *College and University Business Administration* includes a section on fiscal functions. Much more detailed information, with continuous updates on new developments, comes in the loose-leaf *Financial Accounting and Reporting Manual for Higher Education*. Lastly, the Financial Accounting Standards Board provides authoritative statements on accounting theory and financial reporting to
external parties. FASB’s Statements of Financial Accounting Standards No. 116 and 117 particularly apply to the form and content of the audited financial statements of not-for-profit organizations.
Budget Changes

Budgets are established for departments at the start of each fiscal year. In certain circumstances, it becomes necessary for a department to modify a particular category in its budget. Such circumstances may include, but are not limited to, preventing over-expenditures and meeting unusual events.

Budgets are established through the process of preparing the annual operating budget. Information about annual departmental budgets is usually disseminated through the respective vice presidents in late May. Budgets are modified by submitting to the Business Office a budget adjustment form that must have appropriate approval.

Only those responsible for departmental budgets can request budget changes. Restrictions in making budget changes follow:

- Available budget funds from vacant faculty or staff positions cannot be used to increase supply-and-expense budgets. Exceptions must have the President’s approval.

- Since federal funds are involved with certain student wages, only similar type transfers can be made when requesting to modify student wage budgets. For example, College Work Study for College Work Study, Institutional for Institutional, but not College Work Study for Institutional.

- Transfer requests from supply and expense budgets for the purpose of equipment purchases in excess of $500 must have the President’s approval.

Approval necessary on the budget adjustment form will depend on who initiates it. The usual signatures are as follows:

- Chairperson
- Director
- Vice President
- President

When an event requires a budget adjustment, the change request should be submitted prior to the event. The transaction will be reflected on the department report in the month in which it is processed.

If the budget change is rejected due to insufficient funds, the budget adjustment form will be returned to the originator.
Budget Preparation Process

Each year, starting in February, the College's annual operating budget for the coming fiscal year is prepared by the Vice President for Business and Finance, who works on behalf of the College Council, which is composed of the President, Vice Presidents, the Chairs of standing committees, and other administrative staff. This budget is ultimately reviewed and must be approved by the Board of Trustees at their May and October meetings before implementation.

Preparation of the budget document and any subsequent revision is the Vice President for Business and Finance’s responsibility. The budget preparation process may be modified each year to reflect improvements in the process and/or circumstances germane to the year. The process may be generally described as follows:

By February 10, the Vice President for Business and Finance mails to each Vice President the materials necessary for preparation of a new budget, including instructions, forms for requesting equipment, and a computer printout listing the year-to-date "actual" and the current year "budget" for each of the expense categories (budget line items) authorized for the department. Each Vice President forwards these materials to department chairpersons and office heads.

Department chairpersons and office heads prepare their budget requests and forward them to the administrator to whom they report for review and necessary modifications. This initial review stage takes place in February. By March 1, the Vice Presidents forward the budget requests to the Vice President for Business and Finance, together with copies of their correspondence with the department chairpersons and office heads concerning the budget requests.

In February and early-March, the Vice President for Business and Finance assembles the revenue side of the budget in consultation with the President and others. This includes estimating tuition and fee revenues, anticipating endowment income, gifts and grants, etc. At this time, too, the percent increase for the compensation pools is discussed and entered into the budget models.

By April 1, the Vice President for Business and Finance compiles all the individual departmental budget requests and, having compared estimated expenditures with estimated revenues, prepares reports for the meetings of the College Council.

The College Council recommends criteria for the use of new resources by identifying goals or needs.
The College Council reviews the proposed budget in early April, paying particular attention to major equipment needs and those changes in programs and staffing with financial consequences. By April 15, it makes a recommendation to President for percentage increases in compensation pools and operating budgets.

In its May meeting, the Board is asked to review and to approve summaries of the proposed operating and capital budgets. After the approval of the Board is obtained the Vice President for Business and Finance mails to Vice Presidents copies of the approved budget for the upcoming fiscal year.

By June 1, Vice Presidents submit contingency plans to the Vice President for Business and Finance. Contingency plans identify budget adjustments the will be made should expenditures be increased or decreased by 10%. By June 30, the Vice President for Business and Finance reports contingency plans to department heads who may need to conserve a portion of their approved budgets for the upcoming fiscal year.

By September 15, the Vice President for Business and Finance adjusts the revenue side of the budget. In consultation with the President and Vice Presidents, the Vice President for Business and Finance adjusts the expenditure side of the budget as needed, consistent with contingency plans previously developed, and by September 30, prepares a summary for the Board of Trustees.

In its October meeting, the Board is asked to review and to approve summaries of the operating and capital budgets. After the approval of the Board is obtained the Vice President for Business and Finance mails to Vice Presidents copies of the approved budget for the current fiscal year.
<table>
<thead>
<tr>
<th>Date</th>
<th>Entity</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2000</td>
<td>Department heads</td>
<td>Submit capital projects estimate request forms to Director of Facility Management</td>
</tr>
<tr>
<td>February 10, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Deliver budget instructions and monthly budget printouts to Vice Presidents; Vice Presidents distribute</td>
</tr>
<tr>
<td>February 20, 2000</td>
<td>Department heads</td>
<td>Submit budget requests to Vice Presidents</td>
</tr>
<tr>
<td>March 1, 2000</td>
<td>Vice Presidents</td>
<td>Submit budget requests to Vice President for Business and Finance</td>
</tr>
<tr>
<td>March 15, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Finalize revenue estimates</td>
</tr>
<tr>
<td>April 1, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Compile budget requests and prepare report for College Council</td>
</tr>
<tr>
<td>April 15, 2000</td>
<td>College Council</td>
<td>Make recommendations to President</td>
</tr>
<tr>
<td>May 1, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Prepare summary of proposed budget for Board of Trustees</td>
</tr>
<tr>
<td>May meeting</td>
<td>Board of Trustees</td>
<td>Review and approve preliminary operating budget and capital budget for upcoming year</td>
</tr>
<tr>
<td>May 20, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Distribute approved budgets to Vice Presidents</td>
</tr>
<tr>
<td>June 1, 2000</td>
<td>Vice Presidents</td>
<td>Submit contingency plans to Vice President for Business and Finance</td>
</tr>
<tr>
<td>June 30, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Report contingency plans to department heads</td>
</tr>
<tr>
<td>September 15, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Adjust revenue budget estimates</td>
</tr>
<tr>
<td>September 30, 2000</td>
<td>Vice President for Business and Finance</td>
<td>Adjust expenditures budgets; prepare summary for Board of Trustees</td>
</tr>
</tbody>
</table>
October meeting          Board of Trustees          Review and approve final operating budget
Budget Request Instructions

The 2001-2002 preliminary budget contains appropriate increases for pay raises. The budget increase pool for all employees is 3 percent.

The suggested budget shows 5 percent inflationary increases for supplies and most other accounts. Student wages, employee benefits, postage, copying, printing, library media, utilities, insurance, student aid, debt, and income-related accounts contain specific adjustments related to known price and volume changes.

You may request different amounts in the 2001-2002 budget request column. You may make offsetting changes within your area of responsibility without explanation. You may also authorize net reductions without explanation. You may request net additional amounts for specific purposes, new needs, or correction of present budget. Funds available for such requests are limited; attach a thorough written explanation for any such requests.

We are using zero-based budgeting for equipment accounts. Please detail requests for these funds showing item, description, quantity, and cost. Obtain realistic price estimates for individual items believed to cost over $500.

Departmental supplies budgets should include computer paper, ribbons, diskettes, reference manuals, and the like, used within the department. Budgets for all hardware and software items will be included in the Capital Budget.

Each Vice President should return this form to the Business Office on or before March 23, 2001.
Capital Budgeting

Capital Budgeting Procedures

The approach presented herein defines a capital project (new construction, renovation, or equipment acquisition) as proceeding through stages of development with an explicit approach required by appropriate people and review bodies at each stage. These review bodies include the appropriate trustees’ committees (academic planning and student affairs, budget and finance, and physical facilities) and the College Council. The summary of the capital project plans of each department at a point in time, portrayed by their funding and financing, is the Capital Project Plan for the College. The amount of money, from specified sources, that is expected to be spent during the next fiscal period then is the capital budget for the College for that period.

The sequel defines the capital project stages, describes the role of the College Council and Trustee Committees, and presents and describes the format of the Capital Project Plan and capital budget. Figures A and B outline the various steps through which a project passes within the different stages of the process for projects involving over and under $100,000 in capital funds respectively.

Capital Project Stages

Projects are categorized in stages:

*Initiation (I)*—Project is a gleam in the eye of the department, vice president, and/or donor.

*Planning (P)*—Project has been formally recognized as worthy, and funds have been identified to do sufficient planning to scope the program and its cost and to prepare a fund-raising case statement.

*Design (D)*—The prospects for full funding are deemed to be sufficiently good to warrant the risk of preparing detailed drawings and bid specifications, and funding has been identified for this purpose.

*Construction (C)* (or acquisition)—The project is fully funded (in the sense that pledges or other sources of capital funds have been identified and confirmed) and fully financed (in the sense of either cash in hand or borrowing to be repaid at interest as the funding is realized).

*Financing (F)*—The project is complete but the financing, either temporary or permanent, has not yet been retired.
Tables A and B describe the steps of a project in passing through these stages. The detailed description is couched in terms of a construction project, but the general approach applies equally well to equipment acquisition.

**Role of College Council and Trustee Committees**

The College Council must initially agree with the affirmative support of the appropriate executive officer that the proposed project is in keeping with the approved academic plans of the College. The College Council must then make an affirmative decision for a project to move from one stage to another. Also, the Board of Trustees must formally approve, upon the recommendation of the Business Committee, the move between stages for any project involving more than $100,000 and any subsequent budget overrun of more than 5 percent.

**Capital Project Plan**

Given the stages and the approval mechanisms for capital projects, it is possible to present a summary of the capital project plans over some period, say five years. A subset of these plans, normally those for which funds are proposed to be spent during a fiscal year, become the capital budget for that year.

**Estimate Request**

To request estimates for new projects, use the estimate request, Figure C. This form must be approved by both the department head and division head before being sent to Facility Management. Estimate requests for the upcoming fiscal year must be received and approved at Facility Management prior to January 1.

**Expenditure Request**

If you decide to submit the project for consideration in the upcoming fiscal year budget, please complete an expenditure request, Figure D. This form requires the same approvals as the estimate request and should be forwarded to Vice President for Business and Finance.


### Table A

**Capital budget procedure for projects over $100,000**

<table>
<thead>
<tr>
<th>Required action</th>
<th>Responsibility of</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initiation Stage (I)</strong></td>
<td></td>
</tr>
<tr>
<td>1. Identify need</td>
<td>Department, program, etc. in consultation with Vice President for Administration and College Relations and Director of Facility Management</td>
</tr>
<tr>
<td>2. Estimate cost</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>3. Estimate incremental operations and maintenance</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>4. Review project and cost estimates for planning stage (with priority assignment relative to other projects)</td>
<td>College Council</td>
</tr>
<tr>
<td>5. Review and approval by trustees’ committees on academic planning and student affairs and physical facilities</td>
<td>President</td>
</tr>
<tr>
<td><strong>Planning Stage (P)</strong></td>
<td></td>
</tr>
<tr>
<td>6. Authorize funds for program planning</td>
<td>Vice President for Business and Finance</td>
</tr>
<tr>
<td>7. Prepare project program (including budget estimates)</td>
<td>Director of Facilities Management</td>
</tr>
<tr>
<td>8. Prepare preliminary funding and financing plans</td>
<td>Vice President for Business and Finance</td>
</tr>
<tr>
<td>9. Review project program (including budget estimates and funding and financing plans) and assign priority</td>
<td>College Council</td>
</tr>
<tr>
<td>10. Approval by trustees’ committees on physical facilities and budget and finance</td>
<td>President</td>
</tr>
</tbody>
</table>
Design Stage (D)

11. Fund raising (with assigned priority)  
   Vice President for External Relations

12. Authorize funds for architect/engineering fees  
   Vice President for Business and Finance

13. Recommend architect/engineering firms  
   Director of Facility Management

14. Trustees select architect/engineering firm  
   Director of Facility Management

15. Trustees review and approve project design and budget  
   President

16. Develop financing plan  
   Vice President for Business and Finance

17. Review project funding and financing plans and authorize bidding  
   College Council

18. Trustees approve construction budget and funding and financing plans  
   President

Construction Stage (C)

19. Trustees select construction firm  
   Director of Facility Management

20. Administer capital project  
   Director of Facility Management

21. Report project completion to trustees  
   President

Financing Stage (F)

22. Periodic report of status of project financing  
   Vice President for Business and Finance
Table B

Capital budget procedure for projects under $100,000

<table>
<thead>
<tr>
<th>Required Action</th>
<th>Responsibility of</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initiation Stage (I)</strong></td>
<td></td>
</tr>
<tr>
<td>1. Identify need</td>
<td>Department, program, etc. in consultation with Vice President for Administration and College Relations and Director of Facility Management</td>
</tr>
<tr>
<td>2. Develop scope and estimate cost</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>3. Review by College Council</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td><strong>Planning Stage (P)</strong></td>
<td></td>
</tr>
<tr>
<td>4. Prepare project program (including budget estimates and preliminary funding and financing plans)</td>
<td>Vice President for Business and Finance</td>
</tr>
<tr>
<td>5. Review by College Council</td>
<td>Vice President for Business and Finance</td>
</tr>
<tr>
<td><strong>Design Stage (D)</strong></td>
<td></td>
</tr>
<tr>
<td>6. Approve funds for architect/engineering fees</td>
<td>Vice President for Business and Finance</td>
</tr>
<tr>
<td>7. Engage architect/engineering firm (if necessary)</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>8. Review of project, funding plan, and financing plan by College Council</td>
<td>Vice President for Business and Finance and Director of Facilities Management</td>
</tr>
<tr>
<td><strong>Construction Stage (C)</strong></td>
<td></td>
</tr>
<tr>
<td>9. Select construction firm</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>10. Administer project</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td>11. Report project completion to College Council</td>
<td>Director of Facility Management</td>
</tr>
<tr>
<td><strong>Financing Stage (F)</strong></td>
<td></td>
</tr>
<tr>
<td>12. Periodic report of status of project financing</td>
<td>Vice President for Business and Finance</td>
</tr>
</tbody>
</table>
Capital Equipment Purchases

A "capital purchase" is equipment or software with a useful life exceeding one year and an individual cost equal to or above the thresholds defined directly below. Capital purchases (equipment, furniture, computers, software, etc.) are developed from budgeted departmental needs for new and replacement equipment (auditing regulations require that a differentiation be maintained between new capital acquisitions and the replacement of existing capital equipment).

The thresholds for classification of various capital purchases as "fixed assets" shall be as follows:

1. At the level of threshold set forth in applicable regulations or grantor requirements when the "assets" are acquired with grant or contract funds and title/ownership of the "assets" belongs to the grantor/contractor at the time of purchase or construction, but not at a higher threshold than 2), below;

2. At $500 when title/ownership of the "assets" belongs to the College at the time of purchase or construction or when such "assets" are acquired under lease/purchase conditions and where payments are made from sources such that title/ownership belongs or will belong to the College.

These thresholds shall be used for general accountability, inventory control, insurance, and propriety fund financial statement purposes. Propriety funds include the College's auxiliary and internal service funds.
Capitalization Policies and Procedures

We will capitalize the following:

1. All purchases or donations of land. The Vice President for Business and Finance will be responsible for identifying these.

2. All building additions and improvements and land improvements, but not repairs, maintenance, or alterations. The Vice President for Business and Finance will be responsible for identifying these. The normal source document will be construction contracts.

3. Individual furniture and equipment items with a cost of $500 or more, or furniture or equipment-like items with an aggregate cost of $500 or more, with useful life exceeding one year. Purchasing departments will be responsible for identifying and entering a capitalization code in the purchase requisition. Aggregates will normally be a one-line item. The College will print a monthly list of paid items with capitalization codes.

The Associate Vice President for Finance will write journal entries to capitalize.

The College will write off items when it approves a disposal or when the item’s useful life has ended. The Vice President for Business and Finance or the Associate Vice President for Finance may approve disposals. Disposals will be identified by memorandum requests from the department or by trade-ins stated on purchase requisitions. Any unusual disposals will be brought to the attention of the President.
Endowment Levels and Minimum Requirements

Purpose

This policy defines types of endowments and outlines the minimum requirements needed for establishment.

Definitions

Endowment fund—fund whose donor has stipulated that the fund principal must remain inviolate and that only income may be expended.

Fund functioning as an endowment (also known as quasi-endowment)—fund where the principal has been set aside by administrative action to be invested in the manner of an endowment fund.

Distinguished professorships—an academic position supported by either endowments or funds functioning as endowments. Income from the fund may be used to support the base salary of the individual appointed to be the distinguished professor.

Endowed chairs—an academic chair supported by endowments or funds functioning as endowments. Income may be used by the individual appointed to the chair in support of teaching and research activities, and may be used to support the base salary the individual appointed to be the chair.

Policy

1. All endowments, funds functioning as endowments, distinguished professorships, and endowed chairs will be managed by the Board of Trustees. In order to establish these funds, minimum levels must be met.

<table>
<thead>
<tr>
<th>Endowment Type</th>
<th>Minimum Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowments</td>
<td>$ 10,000.00</td>
</tr>
<tr>
<td>Funds Functioning as Endowments</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Endowed Chairs</td>
<td>750,000.00</td>
</tr>
<tr>
<td>Distinguished Professorships</td>
<td>250,000.00</td>
</tr>
</tbody>
</table>

2. Terms and conditions, as well as minimum levels, must be agreed upon before an endowment is established, therefore, contact with the Development Office is required.
Responsibility

Endowed Chairs

Responsibility for final approval of endowed chairs resides with the President, upon the concurrence and recommendation of the appropriate faculty.

Distinguished Professorships

Responsibility for final approval of distinguished professorships resides with the President, following the concurrence and recommendation of the appropriate faculty.

Endowments and Funds Functioning as Endowments

Although endowments are designated as such by a donor or the Board of Trustees may establish funds functioning as endowments. Because circumstances vary greatly from one situation to the next, the Development Office should be consulted.
Gift Acceptance and Processing

Gift Acceptance Guidelines for Outright Gifts

Purpose of Guidelines

It is the policy of the College to accept gifts of cash, security, and property to be used for the greatest good of the College. The designated entity for acceptance of such gifts is the Development Office. All gifts, solicited or unsolicited, of money, gifts-in-kind, and/or services of any description to the College shall be immediately reported to, and when appropriate, receipted by, the Development Office. Gifts received by any College personnel should be delivered immediately (the same day), if possible, to the Development Office.

Gifts of Cash

Gifts of cash are receipted to the proper fund and are deposited daily. Receipts will be mailed to the donor within one week of receiving the gift. Matching gifts from employers are credited to the donor for giving club recognition, but receipts are sent to the company. Checks should be made payable to Tusculum College.

Gifts of Securities

Stocks, bonds, notes, or other instruments for which value can be determined in the financial market place should be made payable to the College. Donors are encouraged to have a conversation with the Vice President for External Relations to determine the most advantageous method of giving donations of securities. Internal Revenue Service guidelines are followed in establishing the value of donated securities. It is the responsibility of the Vice President for External Relations to determine, based on information from the donor and/or security market sources and upon concurrence and recommendation of the Vice President for Business and Finance, whether or not it is advantageous to sell the donated securities immediately. Regardless of whether or not the securities are sold, it is the responsibility of the Vice President for External Relations to account for the securities and, when appropriate, contact brokers regarding the disposition of such securities. If the securities are not listed with a broker, please mail the unendorsed certificates to the Development Office. In a separate envelope, mail the signed signature guaranteed stock power. Registered mail is highly recommended.
Gifts of Real Estate

Gifts of real estate are welcomed by the College. It is the donor's responsibility for obtaining appraisals, EPA studies, etc., for gifts of property except in such cases where the College will assume that responsibility. Gifts must be reviewed by the Vice President for External Relations, the Vice President for Business and Finance, and other selected counsel for environmental and economic impact, and other issues before accepting gifts of real estate. The Board of Trustees has final approval for all gifts of real estate.

Gifts of Personal Property

Gifts of personal property (i.e., antiques, works of art, collections, etc.) are all welcomed by the College with approval from the Vice President for External Relations. The donor is responsible for securing appraisals on such property according to IRS guidelines. The Board of Trustees has final approval of all gifts.

Gifts of Equipment

Gifts of equipment are encouraged by the College. However, when such equipment requires additional and/or ongoing maintenance that is not budgeted, prior approval must be received from the Vice President for External Relations and the receiving area.

Challenge Gifts or Pledges

Challenge gifts or pledges requiring matching funds by the College are welcome, but the gifts must receive prior approval from the Vice President for External Relations.

The College reserves the right to treat each gift on an individual basis, and thereby reserves the right to accept, reject, or modify any agreement and/or gift.

Gift Accounting Procedures for Outright Gifts

Cash and Cash Pledges

Current gifts in the form of cash and pledges will be counted as actual gifts and pledge levels when accompanied by a copy of the appropriate gift documentation.

Securities

Stocks, bonds, and other negotiable securities will be counted at the mean between the high and low on the date of the gift. The value of the gift is not altered by losses or gains at the time of actual sale of the securities nor by brokerage or other expenses.
Real and Personal Property Gifts

Gifts of real and personal property with a value above $5,000 will be recorded at the fair market value as determined by an appraisal (obtained by the donor) that qualifies under the current IRS guidelines. Otherwise, the gift will be recorded as a gift-in-kind with an estimated dollar amount. Donors are encouraged to obtain an appraisal for their tax purposes.

Gifts of Equipment

Gifts of equipment will be receipted as outlined in gifts of real and personal property.

Challenge Gifts

Challenge gifts will be receipted as outlined in gifts of cash.

Gift Accounting Procedures for Deferred and Life Income Gifts

Irrevocable Deferred Gifts

Charitable remainder gifts, including pooled income funds, charitable remainder trusts, and gift annuities, will be valued at the fair market value of the assets on the date of the gift.

Charitable Lead Trusts

Trusts that pay an annual income to the College, but which make no commitments regarding the future distribution of principal, should be valued by the following method:

- If the trust pays a fixed annual yield, the gift is determined by multiplying the annual return by the actual number of years the trust is setup to run;

- If the trust pays a variable rate, the gift will be determined on the basis of a 5 percent rate of return on the principal for the number of years of the trust. In the case of a trust, the term of which is based on the life of an individual, the term remaining shall be the life expectancy of such a person.

Trusts Administered by Others

Charitable Remainder Trusts administered by others on behalf of the College will be credited for the value of the remainder interest as determined for tax deduction purposes.
Wills and Living Trusts

Provisions in wills and living trusts will be recorded at the discounted dollar value of the Pledge Note according to the following standard: If the donor is under 40 years of age, no gift credit will be recorded; over the age of 60 years, full value will be credited; between the ages of 40 and 60, 5 percent per year will be recorded. Thus an individual who is 55 years old, will have 75 percent (55-40 = 15 x 5% = 75%) of the Pledge Note.

Life Insurance

The College may be named either irrevocable or revocable beneficiary in life insurance policies, depending upon ownership. When the institution is not the owner of a policy--when the gift is revocable--it will be recorded as a future Revocable Deferred Gift. Irrevocable beneficiary designations in life insurance policies will be recorded as follows:

- Paid-Up Policies: When no further premiums are due on policies, death benefit value will be recorded according to the same discounted formula presented in Wills and Living Trusts.

- Premiums Remaining to be Paid: When premiums remain to be paid on life insurance policies, the gift of a policy will be recorded as a Revocable Deferred Gift. The exception is when a donor presents a policy and a Pledge Note, or other pledge documentation, committing the donor to pay the premiums in full. The gift then will be recorded according to the standards of Paid-Up Policies.

- Premiums Remaining to be Paid: If a premium remains to be paid, its fair market value is the "interpolated terminal reserve" value of the policy, plus the part of the last premium payment that covers any period beyond the date of the gift. (Interpolated terminal reserve is usually an amount slightly higher than the cash surrender value.)

The College reserves the right to treat each gift on an individual basis, and thereby reserves the right to accept, reject, or modify any agreement and/or gift.
Journal Entries

Journal entries are used when a Budget Manager needs to transfer either revenue earned or expense incurred to another account. Journal entries are also used when one department provides services at a cost to another department.

Journal entries are initiated by sending a memo to the Business Office describing the situation or event that requires an entry.
Matching Gifts

All corporation matching gifts forms are to be sent to the Development Office for execution according to rules set by the corporation or foundation for the employee match.

Guidelines for the administration of matching gift programs have been provided by a National Steering Committee and contain general and specific guidelines for the matching gifts program. Institutional administrators should satisfy themselves on the following points:

1. That the gift was made.

2. That the gift was made in accordance with guidelines of the corporation requested to match the gift.

3. That the donor is eligible for a matching gift according to the corporation's policies (for example, a spouse’s gift, gifts from other members of the family, gifts in kind, etc.).

4. That the use for which the match is intended is legitimate under the corporation's guidelines.

Generally, gifts from corporations are unrestricted and are given to the institution to apply in any way desired.
Moving Expense Reimbursement

Philosophy

In order for the College to be competitive in the employment market and to be able to attract and retain a competent work force, it may be necessary to defray normal intrastate and interstate moving expenses. Relocation is becoming increasingly common. Policies that help ease the employee's financial, personal, and psychological problems of relocation and transfer are both a business necessity and a morale booster.

Policy

All or some portion of the moving expenses of an employee may be reimbursed by the College when the reimbursement will be in the best interest of the College and subject to the availability of funds.

Moving expense reimbursements will be subject to the following restrictions:

1. Moving expense reimbursements are at the discretion of the College and should be established as a part of the employment contract.

2. Agreements to reimburse moving expenses require the prior approval of the President or his designee and shall be reviewed by the Vice President for Business and Finance for the source and availability of funds.

3. Expenses in excess of the specified reimbursement limit as stated in the employment agreement shall be the liability of the employee.

4. Personal liability insurance shall not be paid by the College. Additional personal property insurance over and above that supplied by mover to cover fair market value of goods shall be the employee’s responsibility.

5. Promptly upon completion of move, the moving concern shall submit the final invoice. Any unusual or exorbitant expenses associated with the move must first be justified by the employee before final payment is made.

If an employee fails to fulfill his or her contract or appointment obligation after having been reimbursed for moving expenses, the employee will be required to repay a prorated portion of the reimbursement.
New Account Requests

Budget Managers and Program Managers who need additional accounts for a better breakdown of revenues and expenses need to send a memo requesting a new account to the Associate Vice President for Finance or Executive Accountant. The following information must be addressed:

• Purpose for the new account (i.e. computer hardware purchases)

• The Budget Manager or the person responsible for the account

• Amount of budgeted monies for this account (source of budget; where the budgeted monies are to be transferred from for the new account)

• Signature of the person requesting the new account

Note: New accounts will be available only after a thorough review by the Associate Vice President for Finance or Executive Accountant. The person(s) responsible for the new account will be notified after the account has been created by Business Office personnel.
Petty Cash

The purpose of a petty cash fund is to provide an immediate cash resource to reimburse any out-of-pocket purchase not exceeding $50 for any one item or vendor receipt incurred by a department. Petty cash can be used only for the purchase of materials for the department. Petty cash cannot be used to pay for services of an individual.

Petty Cash Fund

A petty cash fund is available in the Business Office. The following procedure is used to obtain a reimbursement of out-of-pocket expenses not exceeding $50 per day:

1. Complete a petty cash voucher for the purchase made and attach validated receipts to the form.

2. The individual receiving cash signs the petty cash voucher to acknowledge receipt.

3. Petty cash advances must be accounted for within 48 hours by bringing validated receipts and any excess cash to the cashier’s counter in the Business Office. Advances not timely accounted for will be charged as a payroll advance to the employee who signed the petty cash voucher and will be deducted from a future payroll check.

The College does not pay or reimburse sales tax. Regular College suppliers already have an exemption certificate on file. One can be obtained from purchasing, if needed.
Payment of Check Requests

Check request forms may be obtained from the Business Office. This form is to be used for the payment of services rendered and prepayments as listed below. This form should not be used for the purchase of merchandise, travel/expense reimbursements or travel/expense advances.

When to use the check request forms (examples):

1. Honorariums and fees to speakers (not College employees)
2. Postage

When to use the purchase order:

1. Merchandise

A complete address is required for payment. When paying a private contractor such as a consultant or speaker, his/her Social Security or Federal Identification Number is required for tax reporting. Backup is required for payment: receipts, enrollment form, or an invoice.

Note: IRS regulations are complicated with regard to the designation of payments as honoraria, stipends, awards, and consulting fees. When requesting payment to an individual for these purposes, obtain an approved Independent Contractor Checklist from the Office of Human Resources.
Payment of Invoices

Invoices approved for payment are input online daily by the Business Office for recording transactions and computer check preparation on Tuesday and Friday each week. Approved invoices must be submitted prior to noon Monday for Tuesday’s check run and prior to noon Thursday for Friday’s check run. Variations of this schedule because of holidays, etc., will be announced by the Business Office.

Original invoices and statements received from vendors by departments must be sent promptly to the Business Office so they may be processed and paid. The following invoice processing procedures are used by the Business Office:

1. Vendor invoices are processed for payment after the department verifies that the materials or services have been received. This is done by writing "received" on the invoice along with the receiver's initials and date. The department should also note the purchase order number and account number on the invoice.

2. "Open" purchase order invoices are issued in limited cases to a vendor for a specified period of time (i.e., a month, year, etc.). At the time the materials are picked up or delivered by the vendor, an invoice is generally given to the individual receiving the material. This invoice should then be marked "received" and signed and dated, then forwarded promptly to the Business Office. The department should also note the purchase order number and account number on the invoice.

If a partial shipment is received, an approved invoice listing the purchase order number, marked “partial” is sent to the Business Office. When the order is completed, an approved invoice listing the purchase order number, marked “complete” is sent to the Business Office. It is necessary for the Business Office to process the partial order invoices to keep the vendor from waiting for payment on items received by the College. Invoices older than 30 days are considered past due and jeopardize the College's credit standing.

The College does not pay or reimburse sales tax. Regular College suppliers already have an exemption certificate on file. One can be obtained one from purchasing, if needed.
Payment for Expenses Other than Travel

The College may issue a check issued to an employee or to a third party as an advance for expenses other than travel. A complete Request for Expense Advance Other than Travel form is submitted to the Business Office. After the transaction is complete, use the Request for Expense Reimbursement form.

Fill in all applicable portions of this form completely. Note that different account numbers may be used for different items on the same form, if that is appropriate. The form must contain the signature of the budget manager. (Attach receipts to the expense report.)

The College does not pay or reimburse Tennessee sales tax. Regular College suppliers already have an exemption certificate on file. One can be obtained from purchasing, if needed.
Payment for Travel Expenses

The College may issue a check issued to an employee or to a third party for travel advances. A complete Request for Travel Advance form is submitted to the Business Office. After the trip is complete, use the Request for Expense Reimbursement form.

Fill in all applicable portions of this form completely. Note that different account numbers may be used for different items on the same form, if that is appropriate. The form must contain the signature of the budget manager. (Attach receipts to the expense report.)

The College does not pay or reimburse Tennessee sales tax. Regular College suppliers already have an exemption certificate on file. One can be obtained from purchasing, if needed.
Personal Service Payments

Requirements

The College is required by the IRS to report nonpayroll expenditures to noncorporate entities, individuals, and partnerships for personal services. Payments for merchandise are not reportable. College employees’ wages are reported through the payroll system.

Corporate payees must complete IRS form W-9 certifying their exemption from 1099 reporting prior to receiving a check from the College. Payees who fail to provide the required information for IRS form W-9 are subject to the 30 percent backup withholding and/or penalties for noncompliance.

The government requires name, address, and taxpayer identification number (Social Security or partnership number) for each individual or partnership receiving payments. Individuals or partnerships that fail to provide this information are subject to the 30 percent backup withholding and/or other penalties for noncompliance. If the individual or partnership is from a foreign country, the government in most cases requires that 30 percent be withheld and remitted. These payments are reported to the IRS on form 1099/1042. A copy of the form is furnished to the taxpayer.

Procedures

The department purchase requisition for such personal service payments is submitted to the Business Office with the required information. It must be furnished to Accounts Payable before the check can be released.

Examples of service payments include honoraria, computer services, speakers, tutors, etc.

The Business Office maintains records of all such payments and submits the necessary reports to the government. Information is mailed to recipients of such payments after the end of the calendar year.
Travel Expenses

These instructions are intended to make known the College’s policy with regard to those expenses that may legitimately be listed on travel and expense reports for reimbursements. All travel must be approved in advance by the appropriate budget manager.

Expenses that may be included follow:

1. Travel costs, including airfare (the lowest fare available) and necessary ground transportation at the destination, including shuttle bus, bus, taxi, other public transportation, or rental car if no other feasible form of ground transportation is available. For automobile travel from the College, mileage will be paid at 27 cents per mile plus tolls, but will be limited to the lowest airfare available. A rental car may be used if no College car or dependable personal car is available. Rental cars are obtained through the Motor Pool.

2. Lodging costs, including the cost of a room and associated taxes, plus parking expenses. The College has obtained tax-exempt status in Florida, New Jersey, and Tennessee and may deduct tax from hotel rates when prepaid directly by the College. We are subject to a bed tax, which must be paid.

3. Meals, including costs for food and nonalcoholic beverages.

4. Registration fees for professional conferences.

5. Tips.

6. Parking costs.

7. Telephone calls that involve College-related business and one personal call per day.

8. Costs for entertaining a College guest off campus, including expenses for the guest and up to two College employees, unless previous authorization has been given for additional College personnel. (College dining facilities should be used for entertainment of College guests whenever possible.) An explanation, including the business purpose and the names of those entertained, must be attached.

Expenses that may not be included:

1. Travel insurance. The College carries an accident policy that insures employees traveling on College business.
2. Insurance on rental cars.

3. TV movies.

4. Gasoline costs if mileage reimbursement is used.

5. Cost of mileage beyond the amount that would be required to travel by coach-class air.

6. Personal telephone calls in excess of one per day.

7. Alcoholic beverages.

8. Dry cleaning or laundry service.

9. Costs for meals, travel, or lodging for spouses or other personal guests.

**Advance Payment of Travel Expense**

When a registration or similar fee related to the purpose of an employee's travel requires payment in advance of the travel date, a regular requisition should be submitted with documentation attached. The College will then remit payment directly to the applicable organization.

When it is necessary that fares for transportation be paid more than five days prior to a scheduled trip, this fact should be noted on the travel requisition and the College will make payment for the transportation portion of the advance directly to the travel agency, and the remainder of the advance will be given to the traveler shortly before the trip.

If the estimated cost of an approved trip exceeds $25, the Business Office will provide the employee an advance of up to the estimated cost, provided the advance is requested on an approved Request for Travel Advance form submitted to the Business Office no later than five working days prior to the date the check is needed. Travel advances will not be released more than five working days before the travel is to begin.

**Emergency Travel**

On rare occasions, knowledge of upcoming travel will be of such short notice that the policy above cannot be adhered to. If it can be demonstrated that this situation exists, a travel check will be prepared without requiring the normal lead time. However, 24 hours is the minimum amount of notice required to prepare an emergency travel check.
Substantiation of Expenses

In general, receipts for expenses incurred by the employee must be attached to the claim that is submitted for reimbursement. Receipts are also required to substantiate all travel advances, regardless of whether the actual expenses incurred were less than or more than the amount of the advance. Receipts are required for expenses except mileage for use of personal vehicles. However, total miles traveled must be submitted when claiming expenses for use of personal vehicles.

The signed Request for Expense Reimbursement, the receipts, and any other substantiation must be submitted to the Business Office no later than 14 calendar days after returning from a trip. Failure to comply with this policy eliminates all travel advance privileges for that employee until proper substantiation is received by the Business Office. Noncompliance with this policy does not prevent an employee from traveling and receiving reimbursement for legitimate travel expenses, but does preclude future advances. If the signed Request for Expense Reimbursement, receipts, and other substantiation are not submitted within 30 calendar days after returning from a trip, the advance will be payroll deducted.

Third-Party Reimbursements, Rebates, Promotions

When an employee's travel has or will be paid by the College and the employee's travel costs are also reimbursed by a third party, such as the federal government, the third-party reimbursement becomes property of the College.

Similarly, any discounts, rebates, promotions, or similar benefits resulting from travel paid by the College become College property. Examples of such items include, but are not limited to the following:

- Free or reduced future airfare, or other travel costs
- Cash rebates, U.S. savings bonds, or similar benefits for staying at a particular hotel or motel

Air Travel

When the most efficient means of transportation is air travel, reimbursement will be limited to coach fare except for the instances noted below. An employee may upgrade his or her travel class at anytime by paying the incremental cost.

Foreign Travel

Foreign travel requires full compliance with College travel policy. Additionally, specific review and prior approval by the Vice President for Business and Finance, and in most cases by the awarding agency, are required if travel chargeable in whole or in part to grant/contract funds will be outside the United States, its possessions, or Canada.
Transportation to and from Hotels and Terminals

Whenever practical, the most economical mode of transportation should be used to and from hotels and terminals (air and rail). These expenses (including gratuities) will be reimbursed. Many hotels provide complimentary shuttle service to and from airports. The traveler should inquire about this service when making hotel reservations with the travel agent.

Conference Registration Fees

Payment of conference or meeting registration fees may be settled through a travel advance paid directly to the conference organizer or by a personal check or credit card. A copy of the conference or meeting agenda must be attached to the expense report.

Automobile Rentals

Automobiles must be rented in the name of Tusculum College. Automobile rentals departing from the local area must be rented by the Motor Pool. Automobile rentals should be limited to situations where other means of transportation are not practical, economical, or available, and to emergency situations. The most economical car should be used as a general rule. The College has corporate account numbers for discount rates available with several car rental agencies. When the traveler rents a car in the name of Tusculum College, the collision damage waiver insurance does not need to be purchased. The College does not pay or reimburse the collision damage waiver insurance premiums.

Personal Automobile Travel

Reimbursement for use of personal automobiles by employees traveling on College business will be at 27 cents per mile. Gas, oil, insurance premiums, repairs, or other costs presumed included in the mileage rate will not be reimbursed. Fines for automobile violations or personal misconduct will not be reimbursed.

Lodging

Hotel reservations can be made directly with the hotel or by contacting the College’s travel agent, who can arrange preferential rates with hotels in major cities throughout the United States. The traveler can stay at the hotel where a meeting, convention, or conference is being held, or at a nearby moderately priced hotel. The actual hotel bill is required for reimbursement. Hotels should be guaranteed for late arrival with the traveler's personal credit card.

Entertainment

Reimbursement will not be made for entertainment expenses not related to College business, such as, but not limited to, in-room movies, theater, or optional conference-related side trips.
Meals

Reasonable expenses incurred for business meals while on a College business trip will be reimbursed. Reimbursement will be made for all actual costs (including gratuities). Receipts are required for all expenditures. Names of guests and their professional affiliation as well as the business purpose must be included on the expense report.

Alcoholic Beverages

Alcoholic beverages are not reimbursable expenses. Federal regulations prohibit the College from reimbursing any expenditures for alcoholic beverages with federal funds.

Gratuities

The reasonable costs of gratuities to porters, bellhops, and other service personnel will be reimbursed.

Telephone Calls

Telephone calls related to College business will be reimbursed.

Miscellaneous Travel Items

Travel Insurance

The College provides life insurance for employees traveling on College business. Commutes to and from work are excluded. Coverage is further subject to the terms and conditions of the College insurance contract.

Some companies offer travel accident, sickness, baggage, trip cancellation, and flight insurance at very reasonable rates. This insurance can be purchased through the College’s travel agent at the traveler's expense.
Conferences, Conventions, and Seminars Travel Discounts

Often the organizers of conferences, conventions, and seminars will announce discounted fares for transportation and lodging that may be obtained by arranging travel through their organizations. It is suggested that the traveler first call the College’s travel agent with conference-rate file information to ensure that the least expensive arrangements are being provided. In the case of similar prices (i.e., sponsoring organization versus the travel agent), the traveler can make all arrangements with the College’s travel agent in order to have seat assignments, boarding passes, and quality control monitored.

Travel with Companion

The College will not reimburse personal, spouse, or companion travel and other travel-related expenses. The employee is responsible for allocating only his or her portion of expenses on the travel expense report and for identifying them on the hotel, restaurant, transportation, and other receipts. The College will pay only the single rate at hotels.

Authorized Travel for Noncollege Individuals

When travel is approved by a duly-authorized College officer for an individual who is not an employee of the College, reimbursement will be provided in accordance with the College's general travel policies. The department authorizing travel should make all transportation and lodging arrangements through the College’s travel agent.

Receipts

Original receipts are required for all reimbursable expenses. These receipts must be submitted with the expense report.
Cost Saving Considerations

When planning your itinerary, consider the following cost-saving strategies:

Stay over one Saturday night at your outward destination. Most deeply discounted airfares require staying over a Saturday night. Compare the cost of including one Saturday night versus departing on Sunday. If the savings in airfare exceeds the cost of Saturday hotel and meal expenses, the traveler is encouraged to stay over Saturday night. The College will reimburse the traveler for Saturday lodging and meal expenses.

Make reservations in advance. Deeply discounted fares have strict advance purchase requirements of 30, 21, 14, or 7 days in addition to the Saturday night stay requirement. Other fares that do not require a Saturday night stay still offer substantial discounts for booking seven days or more in advance. Most advance-purchase airfares also carry substantial penalties for change or cancellation.

Be flexible in selection of airlines and times of travel. One airline may have a promotional fare not offered by competing carriers. One airline offering single-stop or change-of-plane service may offer substantially lower fares to compete with a carrier flying nonstop. Time of day and day of the week may also influence airfares.

Plan meetings, conventions, and seminars for groups. Groups with as few as 10 enrollees may leave from and return to a multiple of cities and within a range of dates. All passengers need not travel on the same flight round trip to be eligible for group discounts.

Compare fares from regional cities. The regional airports offer different discounts and promotions. Often, one of these airports has a much lower fare.

Look for special promotional fares. Identify yourself as being flexible and willing to explore special fares and promotional opportunities on alternate dates and times if you are in fact flexible.

Use frequent flier awards and coupons. These awards can be used to reduce airfares. Frequent flier points accumulated by employees traveling on College business belong to the College. The traveler has a responsibility to the College never to elect more expensive travel alternatives in order to accrue frequent flier mileage credit.