Externally Restricted Funds

What is the definition of Externally Restricted?

External Restriction refers to the restrictions placed on the use of funds by the external party providing the funding, such as a funding agency or donor. The restrictions can be specified in a contract, grant agreement, Notice of Award (NOA) or any other document from the external party that outlines how the funds must be spent. Because of the external restrictions associated with the funding, the University has an obligation to spend the funding in accordance with the external party's restrictions.

Externally Restricted projects are reported differently on the University of Calgary's financial statements, therefore it is important that the funds are properly classified. Externally Restricted funds often have reporting requirements back to the funding agency or donor requiring clear reporting on the use of the funds which requires separate tracking within a project.

What are some examples of documents for Externally Restricted projects?

The documentation to support the External Restrictions include:

- Grant Agreement
- Contract
- Notice of Award
- Gift agreements
- Communication from donors

I have a Clinical Trial Agreement: why is that not considered Externally Restricted?

Most Clinical Trials are a fee-for-service contract where the UCalgary provides a service (i.e. Blood draw) and is paid a specific dollar amount for that service. At the time of invoicing and receiving funds for the clinical trial activities, the service has already been provided. Given the service has been provided to the external party (organization funding the clinical trial), the University no longer has an obligation. Most Clinical Trials would be defined as an Operating Project. There may be instances where a clinical trial agreement may have external restrictions attached (i.e. revenues must be used for a specific purpose, or unused funds are to be returned to the funding agency).

I used to be able to transfer funds between projects, why am I being asked additional questions about the transfer, or why can I no longer do this?

Externally Restricted Funds are accounted for differently than Operating and IRNA funds, we need to ensure that we properly record the funding within the appropriate classification. In most cases, there is a requirement to track the use of funds to ensure accurate reporting back to the funding agency or donor.

If you are wanting to transfer from one Externally Restricted project to another Externally Restricted project, we need to confirm that the first project allows for transfers out of the project, and the receiving project allows for the receipt of additional funds outside of the current funding agency. In some cases, we would need to set up a child project to receive the transfer. Please contact finance@ucalgary.ca to determine how best to initiate your transfer. The best options would be to record the associated expenses against the proper project when possible.

Project Set Up

My project has no end date: why can I no longer use Dec/31/2100 end date:

The University of Calgary is using a guideline of a 5 year end date for externally restricted projects or 3 year end date for Operating projects when the agreement/contract/Notice of Award does not specify an end date. This allows the University and the project holder to regularly review the project to ensure that it is still being used for the purpose it was intended. Requests to extend an end date can be requested by completing the Project Update Form https://www.ucalgary.ca/finance/files/finance/fr-project-update-request-form.pdf. End date extensions on Operating Projects and IRNA projects will require VP approval.

I used to be able to set up a project that has Multiple Source as a sponsor, can I still do that?

Projects will be set up with Multiple Source as a sponsor on Externally Restricted projects when there is a contractual requirement to do so, i.e. Industrial Research Chairs. Multiple Source projects can be set up for an Operating Project for conferences or fee for service projects. Projects funded by donations may also be set up as multiple source in Externally Restricted Projects, provided there is documentation outlining the external restrictions.

I received a notification that my new project is set up. Why can't I see it in eFIN?

You will be able to see your project in eFIN after the first transaction has been recorded into your project.

What is the definition of Operating Project (OPPRJ)?

Projects with no external or internal restrictions. Operating Projects will be used to manage agreements in place including clinical trials, start-ups, research allowances, conferences, matching and fee for service. Operating Projects will include fund codes 5, 11, 12, 18, 19. Projects in funds 18 and 19 will be closed or reclassified to fund 11 or 12. There will be no new projects created in fund 18 and 19 or project extensions.

What are allowable Operating Project purposes?

All operating projects will have a clear defined purpose and will require supporting documentation to support the classification. Allowable Operating Project purposes include:

1. Clinical Research –All projects are within CSM and reviewed by CSM Legal and the classification is determined by CSM Legal. This purpose type is to differentiate between Clinical Trials and Clinical Research projects for reporting purposes.

2. Clinical Trials –All projects are initiated and processed through the Calgary Centre for Clinical Research (CCCR) for budget review. All Clinical Trial project requests are submitted by CSM legal.

3. Conference –To identify hosting or organizing a conference, Workshops, Seminars, Courses, and Events. The name and date of the event (with appropriate documentation such as website, flyer/brochure) must be included with the project set up.

4. Fee for Service – Project used to sell goods and/or services, self-sustaining operations, or service agreements. A fee schedule and/or budget is required for project creation. Category includes UCalgary Researcher Subsites for Inter-departmental billings (IDB) from a Clinical agreement.

5. Fellowship –Postdoctoral Fellowship awards and/or program. If the project is for a single award, the candidate is identified with project set up.

6. Internal Award/Grant – Internal Award/Grant provided to an individual researcher/project holder. Signed award letter, by a department head, Senior Leadership Team (SLT) or Executive Leadership Team (ELT), will be provided with project set-up. If the employee offer letter indicates the specific grant will be provided to the employee, a redacted employee contract is required with project set- up and extensions.

7. Internal Matching to External Contracts –Matching internal funds for an external project. The external project/agreement/donation must be noted with project set-up.

8. Overhead (Research Portion Only) – Where the researcher has been given approval to retain the department/faculties portion of the overhead distribution. The researcher's name is identified in the project description.

9. Research Allowance –Research support for administrative appointments. A redacted employee contract is required with project set- up and the research allowance amount must be indicated on the employee contract.

10. Residual Balance –Funding from an externally restricted project where the contract indicates that upon completion of the work/deliverable/milestone/clinical unspent funds can be retained for other research activities. Also operating projects classified as clinical trails and clinical research where the study has completed, the unspent funding can be transferred into the project holder's residual project.

11. Start-up –Project used to fund new employees for starting their research program. The maximum term is 3 years. A redacted employee contract is required with project set- up and the start-up amount must be indicated on the contract.

12. Studentships –Funds for bursaries, scholarships, or studentships for undergrad (bachelor) and grad (Master's and Doctoral) grant payments. A budget is required to identify all the funds will be used for studentships.

13. Professional Expense Reimbursement (PER) –Academic's Professional Expense Reimbursement projects. All projects will be managed and submitted by HR Academic.

14. Administration – Clearing projects for Financial Reporting/Institutional purpose only.

What happens if my existing Operating Project purpose is not an allowable purpose?
Legacy projects (created before October 2024) with a purpose not listed as an allowable Operating Project purpose will be grandfathered; the project will remain open until the funds are spent or the project has expired.

Requests to extend end dates for projects with discontinued purposes will require Provost or CFO approval. When requesting an extension for an Operating Project, a project update request form and project budget form must be completed and submitted. Extensions are only granted if the supporting documentation justifies the extension and provides a clear rationale, such as impact on research outcomes or alignment with strategic priorities.

Financial Reporting will obtain the approval for these requests. If funds are not spent by the end date and there is no extension on the project, the balance will be cleared and the project will be closed.

Any requests to change project purposes from a discontinued purpose to an approved purpose will require Provost or CFO approval. Financial Reporting will obtain the approval for these requests.

What is the definition of Internally Restricted Net Asset (IRNA) project?
IRNA projects are initiatives funded for specific purposes separate from the general operating budget. These internally restricted funds support long-term goals and unique opportunities without relying on external funding. IRNA projects require an Authorization for Expenditure (AFE) for each project, as presented to the Finance and Property Committee.

What are allowable IRNA project purposes?
Allowable IRNA project purposes include fund 13 Capital managed by Facilities Development Project Management Office (PMO) and fund 14 IT Initiatives that are managed through the IT Project Management Office (PMO).

Why does the Vice-President need to approve my new Operating Project and IRNA project?
Funds can only be internally restricted or established as an Operating Project with Board approval or Vice-President approval; therefore, any new Operating Project in fund 11 and 12 and IRNA project in fund 13 and 14 must be approved by the Vice-President. All IRNA projects will require an AFE which includes Vice-President approval therefore an additional approval is not required as part of project creation.

Journal Entries

I noticed that expenses are not recorded in the proper project, how do I request an entry to fix this?
The journal correction/transfer request form must be filled out (forms can be found here under Journal Corrections and Transfers: https://www.ucalgary.ca/finance/finance-forms) and the required approvals and all relevant backup documentation must be provided.

Email approvals can be accepted provided that the body of the email clearly outlines the expenses to be reallocated and the projects being impacted are clearly listed.

Why do I need approval for the credit side of the entry? I never used to have to provide this approval.
The entry needs approval from all impacted budget owners (dept. ID and or project holders) to ensure all impacted individuals are aware of and agree to the correction/transfer. This is only for additional journal entry documentation that is not submitted & attached to the journal entry request.

When preparing the Journal Correction / Transfer Request Form, whose approval is required for a correction to a Balance Sheet Account (if no fund / dept ID is associated with the account code)?
Each balance sheet account has a contact person assigned on the account reconciliation list. The contact person listed would be the approver of the balance sheet account.

If budget owner approval is acceptable via email, please elaborate on what you want to see in the body of the email?

Approvals may be in the form of an email or signed documents (approving the accounting chartfields and amounts of the journal entry); ensure that it is attached as documentation with the request form.

Is budget owner approval required for expense accruals?
No, if there is a PO # and/or evidence of goods/services received (i.e. invoice).

When is budget owner "notification" sufficient for a Journal Correction, instead of budget owner "approval"?
Budget owner email notification of a correction is sufficient for a change in account within the same dept ID/project within the same fiscal year.

Provide rounding instructions for Journal templates.
Please use 2 decimal places for journal templates.

What is the difference between a Salary Adjustment and a Salary Recovery?
a) <u>Salary Recoveries</u> - are to be used to recover salary & benefit costs incurred in operating dept ID's from projects or from 3rd parties (i.e. Alberta Health Services).
b) <u>Salary, Scholarship, or benefit adjustments</u> - are corrections or transfers of prior period postings/costs.

How do I request a salary, scholarship, or benefit correction?
There are two mechanisms for requesting a salary/scholarship/benefit adjustment:

a) The *online Job Change Form (JCR)* is used to request a change in <u>salary or benefit</u> accounting in two scenarios:
    1) the change impacts prior periods but also will be ongoing into future pay periods, or
    2) the change impacts a prior period only. (***Note***: comments are required to provide the periods that the change is limited to, or the updated accounting will be implemented for future periods as well).

b) The Salary Correction form (forms can be found here under Journal Corrections and Transfers: https://www.ucalgary.ca/finance/finance-forms) is used to request a change in <u>salary, scholarship, or benefit</u> accounting in the following instances:

    1) the adjustment is for a scholarship or a salary type (i.e.) hourly, that cannot be requested using the JCR form.

How are salary, scholarship, and benefit adjustments processed?
Salary, scholarship, and benefit adjustments are processed through PeopleSoft HCM module. If there are instances where the full amount cannot be processed using the HCM module, you will be contacted by a Finance representative to confirm how any residual amounts will be cleared.

Note: Salary and Benefit Adjustment (SBA) journals are no longer used to transact salary, scholarship, or benefits adjustments. These journals will only be used by Financial Operations in instances where there is a requirement to reverse a transaction that had previously been done via an SBA journal in order to accommodate a current request.

Who can I contact if I have more questions?
You can contact the UService at finance@ucalgary.ca or 403-210-9300.

Invoicing and Deposits

I have a cheque or invoice I would like to apply to my Externally Restricted (funds 50, 60 or 70) project. Can I do that?
Cheques/deposits and invoices can be applied to an Externally Restricted project if the cheque/deposits agree to the amount of revenues outlined in the agreement/contract/Notice of Award (NOA).

Can I deposit a cheque to an operating project with a discontinued purpose?
The expectation for all grandfather projects with discontinued purposes will be to spend down the balance and have no further transfers or revenue deposited into the project. Any deposit to a project with a discontinued purpose will be directed to the associated department in fund 10 or fund 15.

How do I invoice or deposit a cheque for reimbursements of expenses that have already been charged against my project?
If you need to invoice a customer, please initiate a Project Invoice Request eForm in PeopleSoft.

If you've received a cheque, complete the cheque deposit form at
https://www.ucalgary.ca/finance/files/finance/fo-ar-cheque-deposit-form.xlsx, attach a copy of the expenses (EFIN screenshot) along with the cheque and send to Accounts Receivable via interoffice mail.

Setting up a new project for my cheques/invoices is very cumbersome, I used to be able to put all revenues into one project. Why can't I continue to do this?
Our funding agencies require that the UCalgary has strong financial stewardship of our funds and that our financial statements are accurate. This provides our stakeholders with the assurances to continuously provide funding to UCalgary.

I was expecting a customer payment for my project, who do I contact?
You can contact Accounts Receivable (AR) at finance@ucalgary.ca with the payment details (customer name, expected dollar amount, and cheque number) and Accounts Receivable (AR) will verify if the funds have been received. If you're expecting funds from a customer, the best practice is initiate a Project Invoice Request eForm in PeopleSoft.

How do I invoice a customer and what are the benefits of doing so?
When you invoice a customer through PeopleSoft, your project receives the revenue when the invoice is created and the AR team will follow up with the customer on payment of that invoice. You will not have to wait for a payment to arrive to receive the revenue in your project.
For more information on the billing procedures and process, visit -
https://www.ucalgary.ca/finance/files/finance/fo-ar-external-billing-procedures.pdf

Fund Definitions and Fund Transfer Rules

There is no longer a description as to what fund 18 and 19 projects are used for. If someone already has a fund 18 or 19 project it will continue to operate as is.
That is correct. All new Operating Project fund codes will be set up in either fund 11 or 12. Projects in fund 18 and 19 will be grandfathered however no new projects will be created in fund 18 and 19 and no fund transfers will be allowed into the projects in fund 18 and 19. Projects in fund 18 and 19 will be reviewed to verify if the project will be closed or reclassified to fund 11 or 12.

Can revenue be deposited in any fund (regardless of funder) when it is for a reimbursement of existing expenses?
Revenue relating to operating activities would be deposited in fund 10. Revenues for reimbursement of existing expenses cannot be deposited in any externally restricted funds (fund 50, 60 or 70). Revenues may be deposited into an Operating Project fund if the reimbursement is for expenses incurred in the Operating Project.

Can one project be set up for multiple conferences?
Yes, an Operating Project can be set up for multiple conferences. If the conference is funded from an externally restricted project/funding source, we will need to set up one project per conference.

What fund code is donations? If the donation does not come through the Development Office is it recorded to a different fund code?
If the donor has indicated the funds are restricted for a specified purpose the donation will be recorded in a project in fund 50, 60, or 70*.*

Do Operating Project to Operating Project fund transfers require VP approval?
No, transfers between Operating Project fund codes do not require VP approvals. Transfers into Operating Projects with the purpose of funds that are no longer on the approved list will not be allowed.

Do Internally Restricted Net Assets (IRNA) to IRNA fund transfers require VP approval?
No, transfers between IRNA fund codes do not require VP approvals. All transfers are considered current year transactions.

What are the updated transfer rules for Operating Projects?
Fund definitions and transfer rules
- Transfers from Operating Projects to IRNA will not be allowed.
- Transfers into Operating Projects will be allowed if the project purpose is one of the approved purpose of funds categories and is approved by the respective VP.

What are the updated transfer rules for IRNA projects?
Only transfers to fund 13 and 14 will be from fund 10 and 15. Funds can be transferred within IRNA projects.

When is Vice President approval required for Operating Projects?

Vice President approval is required for:
(1) All transfers into fund 11 and 12 projects from fund 10 and 15,
(2) All new projects created in fund 11 and 12,
(3) All end date extensions, and
(4) Project purpose changes.

Provost approval is required for:
(1) All transfer(s) and all end date extensions relating to discontinued operating project purpose.

When is Vice President approval required for IRNA projects?

Vice President approval is required for:
(1) All transfers into fund 13 and 14 projects from fund 10 and 15. Transfers from Operating Projects will not be allowed, and
(2) All new projects created in fund 13 and 14.

Can Operating Project and IRNA projects be set up as multi-source with unrestricted revenue coming in from different streams?

Yes, an Operating Project and IRNA project can be set up as a multi-sourced project. Note that VP approval is required to set up a new Operating Project and IRNA project.

What happens if I anticipate my Operating Project will be become overspent?

Operating Projects - the project holder is required to complete the authorized over expenditure (AOE), the AOE will be signed off by the dean and/or VP. The dean or VP will take responsibility if the other sources of funds are not received.
IRNA projects – the expenditures will not exceed the amount of the AFE.

I have a project currently set up in fund 18/19, can I ask for an extension on this project since no new fund 18/19 projects will be set up?

No, fund 18 and 19 projects will be reviewed to verify if the project will be closed or funds reclassified to fund 11 or 12.

Can externally restricted funds be transferred to Operating Projects for conferences/workshops/symposiums? Is there a requirement that the Operating Project receiving the transfer be set up as a conference/workshop/symposium only project?

Yes, with approval from the Director Research Accounting and Associate Director Financial Reporting. Note that transfers from externally restricted projects to Operating Projects for conferences/ workshops/ symposiums must be in line with the funding purpose. Each transfer can only relate to one fiscal year (i.e. the funding must be used by the end of the fiscal year). Amounts in excess of one fiscal year of funding should remain in externally restricted. The Operating Project does not have to be a conference/ workshop/ symposium only project but must meet the objectives of the externally restricted funding agreement. To capture the cost of the conference/workshop/symposium in a multi-purpose Operating Project, please use an accounting chartfield (i.e. activity code, internal chartfield, etc.).