

The School receives gifts, endowed contributions and bequests for which donor-imposed restrictions are present. The following policies and procedures are followed to ensure that contributions are properly recorded and net assets are properly classified according to generally accepted accounting principles.

**Procedures for Recording Contributions**

1. The documentation for gifts received is provided by the Development Office and is reviewed by the Director of Finance's staff for Gift Accounting to assign the appropriate account number and net asset classification. In some instances, the fund number has already been assigned by the Development Office in consultation with the Department. In instances where a fund number has not been assigned or where it is difficult to determine the appropriate net asset classification, the Director of Finance or designee will consult with the Development Office, gift recipient, Department Administrator and Vice President of Finance as appropriate. Pledges are not credited to a gift or endowment account until paid.
2. A folder is maintained for each gift or endowment account which includes documentation provided by the Development Office indicating how the gift or endowment is to be used.
3. It is the Department's responsibility, specifically the fund owner, to ensure the gifts or endowment income (distributed according to the School's endowment spending rate formula) are spent according to the donor's restrictions.
4. If the contribution is for an endowment, a permanently restricted account is created by the Director of Finance's staff for Gift Accounting (70 series ledger) along with an endowment income account (85 series ledger).
5. The School's general ledger system segregates contributions and restricted funds to facilitate the classification of net assets as follows:
  - School Funds which support School infrastructure and funding for departmental CARTS support: Ledger 04
  - FPA funds are generated from patient receipts: Ledgers 63, 64 and 65.
  - Departmental funds are provided from a variety of sources but primarily by School and Hospital CARTS funding transfers and for clinical departments, each department's share of residual clinical income:: Ledgers 43 and 44.
  - In accordance with GAAP, the School does not recognize any funds available for unexpended grants as revenue is recognized as expenses are incurred. Any cash from grant sponsors received in advance of expenditure is classified as deferred grant revenue, a liability on the School's balance sheet. Ledgers 49 and 53-57, 66 and 67.

- Departmental Gifts & Other funds include the following ledger groups both unrestricted and temporarily restricted 45, 46, 47, 48 and 85 are examined in detail on a fund by fund basis.
- Endowment Funds Ledger 70 – 79. Periodic updates are made by School Accounting to segregate the three components of the principal account for each endowment balance: Permanently Restricted (Historical dollar value of original contributions), Temporarily Restricted (accumulated gains) and Unrestricted (accumulated gains).
- Agency Fund Ledger 69.

### **Classification of Net Assets**

The School follows generally accepted accounting principles, specifically the provisions of FASB #116 “Accounting for Contributions Received and Contributions Made” for classifying contributions as either permanently restricted, temporarily restricted or unrestricted as follows:

#### **A. Permanently Restricted Net Assets**

Permanently restricted net assets include the historical dollar value of gifts and bequests whose use has been restricted by donors to be maintained by the School in perpetuity.

#### **B. Temporarily Restricted Net Assets**

Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose.

#### **C. Unrestricted Net Assets**

Unrestricted net assets include unrestricted contributions by donors or when a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the School’s financial statements as net assets released from restrictions. Donor-restricted contributions, whose restrictions and conditions are met within the same year as the contributions are received, are reflected in the activities of the unrestricted net asset class. In many cases, this occurs when the School spends other unrestricted funds that are not directly attributable to another specific external source of revenue that satisfy the purpose specified in the donor’s restriction (School supported funds and Departmental funds). According to paragraph 17 of FASB 116:

*If an expense is incurred for a purpose of which is both unrestricted and temporarily restricted net assets are available, statement 116 generally requires that the organization treat the expense as if the first satisfies a donor-imposed restriction.*

In addition to contributions, accumulated total investment returns earned on endowment and similar funds are also classified in accordance with FASB 116. In the absence of donor-imposed restrictions or law, the income, including all dividends and interest, realized gains and unrealized gains, are recorded as unrestricted.

Questions about the School's policies and procedures for accounting for contributions and classifying net assets should be addressed to the Director of Finance at 212 731-3422.