Manage Finances: Focus on Balances

Reference Guide
April 2015
Financial Management and Stewardship: What do we monitor at a University level?

- **Fund** – Overall Fund balance and confirm uses meet any restrictions.
- **Department** – Overall financial health of a department, not typically the individual Programs within the department.
- **Account Categories** – For University financial reporting, overall income and expense Account Categories, not every individual Account.

On an ongoing basis, track and spend restricted endowments and gifts according to the donor’s wishes and in accordance with specified restrictions.
What does this mean to you?

- **Fund** – Review Fund balances within your department and understand restrictions. Activity should be appropriate to the Fund source and in compliance with any donor restrictions.

- **Department** – Review overall balances, revenue and expenses.

- **Program** – While the University looks at the overall department balance, departments may monitor and track specific Programs. The level of Program monitoring will depend on your department and on the individual for whom the report is being run.

- **Account** – Ensure Accounts are as accurate as possible. Confirm that Accounts used in your department(s) enable you to manage and track revenues and expenses. Accounts are used to monitor compliance with Fund restrictions and aid in future budget development.
What’s still the same?

- Whether positive or negative, balances for Funds formerly known as “Fund 20,” (i.e. all Funds except A0000 and G Funds) automatically carry forward from one fiscal year to the next.

- Expenditure plans for Central Office one-time or recurring financial commitment allocations should be based on the information contained in commitment letters and emails between the Provost’s Office and the receiving department.

- The amount and duration of term gifts should be monitored so that supported activities cease, or are funded by other sources, when term gifts are exhausted.

- Transfers into or out of highly restricted gifts is not allowed. Monies should be expended in the chartstring (Fund) to which they are originally deposited. Transfers of gift income is only allowable if the underlying gift is less restricted.

- If you anticipate overspending allocations from any central General Funds (A series Funds) discuss options with your department’s cabinet officer and notify the budget office of potential budgetary problems as they arise.

- Monitor income and expense activity on a monthly basis.

- Understand the restrictions on any invested Funds you control.

- Depending on the chartstring, Fund restrictions and individual department financial management practices, there are varying approaches to handling negative balances.
What’s New and Different?

• New reports to review balances, restrictions, income and expenses.

• Increased visibility to the individual Funds which together make up the overall allocation for a particular activity, such as an individual faculty’s Fund sources.

• The increased visibility to the various Funds may require you to make additional decisions about how your department wants to account for revenue and expenses.

• The journal methods for allocating revenue and moving expense have changed.
Manage Balances

FY15 Beginning Balance

Manage Available Balance

Review Balances

Negative Balance?

Assess & Address

Clear Negative Balances
- Allocate Revenue
- Move Expenses

Roll Negative Balances

FY15 Ending Available Balance = FY16 Beginning Balance
• **Fund** – Run FIN010 Spendable Balance by Fund for Fund balances.

• **Fund Restrictions** – Run FIN019 Fund Restriction/Designation by Assigned Chartstring Balance for restrictions.

• **Department** – Run FIN008 Spendable Balance by Department to understand the fiscal health of your department.

• **Program** – If it is a practice to use Program in your department, run FIN012 Spendable Balance by Program to understand Program income and expenses.

• **Account** – Run FIN005 Budget vs. Actual and FIN011 Account Summary to review Accounts to understand current and year-to-date income and expenses at a more detailed level.
Assess and Address

Assess

- Understand your department’s overall negative balance management practices.
- Determine negative balance cause(s).
- Review Fund Balances – Run FIN010
- Review Fund Restrictions – Run FIN019
- Identify anticipated allocations
- Determine whether unspent allocations will return to central department balance (e.g. No Program)

Address

- Allocate additional monies using the appropriate journal method.
- Allocate unspent balances from specific programs back to central department balances.
- Move expenses using the appropriate journal method.
- Combination of both! Allocate revenue and/or, move expenses.
- Leave the negative balance and allocate additional monies in the next fiscal year.
- Leave the negative balance.
Negative Balance Common Causes

• Labor Accounting chartstring distribution defaults – In Labor Accounting the chartstring distribution for some salaries were defaulted to A0000 or A0001. Corrections must be made in Labor Accounting to move these expenses.

• Concur individual user chartstring defaults – Sometimes users have set their profile defaults to a specific chartstring, including a specific Fund. As a result, their transactions can deplete one specific chartstring or Fund. The individual users should select the appropriate chartstring (especially Fund) or when possible, delegates and approvers should make the appropriate changes. Alternatively journals may be used to correct.

• Departmental Systems, Departmental Charges and other Internal Service Charges are applied to the wrong chartstring. Review FIN016 Transaction Extract Report. To isolate on just Internal Service charges, in the Account prompt, type 7. This will return all Internal Service Charges.

• Unanticipated overspend – Sometimes unanticipated expenses occur.

• Annual monies are expended and negative balances will be cleared with the next allocation.

• Cross fiscal year activity – Sometimes expenses are incurred in the current fiscal year for the next fiscal year. For example, purchases made now for travel which will occur this summer (in FY16) may result in a negative balance until monies are received in the next fiscal year.
Are Negative Balances Acceptable?

• Negative balances can occur and may be acceptable depending on the Fund and departmental practices.

• Recognize and take action when there are consistent negative balance issues on a particular chartstring combination.

• As in the past, in some cases, negative balances may be rolled to cover activities that cross fiscal years.

• As in the past, negative balances may be rolled in anticipation of Fund allocations that will occur in the next fiscal year.

• Negative balances do not need to be rolled as a method of tracking actuals for planning purposes. Clear negative balances and utilize Budget v. Actual reports to understand and analyze past expenditures.
Clear or Roll Negative Balances?

Depending on the Fund balance, restrictions and individual department financial management practices, there are varying approaches to handling negative balances.

- Negative balance is on Fund where it is not permissible at year end.
- Negative balance is on a “one-time” Fund and no further income is expected.
- Your Department’s practice is to maintain Fund balances and clear negative balances.
- Upon review of the overall chartstring combination and Fund restriction, expenses can be moved.
- Additional spendable balance is available for allocation.

- Additional monies are available or will be available, and will be allocated at the start of the next fiscal year.
- Transactions are properly recorded, but no additional monies are available. You have no choice but to roll the negative balance. These negative balances may still need to be addressed/managed in the new fiscal year.
- Your department’s practice allows you to roll negative balances forward in certain situations and on certain chartstring combinations.

If you have questions about negative balances, particularly regarding central funds, contact your Budget Analyst.
Clear Negative Balances – Use the Right Journal

Whenever you are preparing a journal to clear a negative balance, decide the appropriate journal and use the Journal Line Description to indicate that the journal is for clearing a negative balance.

Allocate Revenue

You have additional monies available and want to make an allocation to the specific chartstring combination.

Use:
- Fund Assignment Journal or
- Fund Transfer Journal

Move Expenses

Upon chartstring distribution and Fund restriction review, you want to move expenses from one Fund to another.

Use:
- Standard Journal
- Cost Transfer/Correction Journal
Cost Transfer/Correction Journal

Move the expense balance by each original transaction. Best if the correction involves less than twenty original transactions.

- These corrections require the original journal ID.
- Standard Journals can be used for Sponsored Awards, but requirements regarding moving expenses over 90 days old are captured in the Cost/Transfer Correction method.

Standard Journal

Move balances by Account for a large volume of expense transactions.

- Run the FIN011 Account Summary report for the specific chartstring (Department, Fund, Program).
  - FIN011 displays expense amounts summarized by Account.
- Create a single Standard Journal for the total amount by Account.

If the Account requiring correction is related to Salaries & Wages, the correction must be performed in the Labor Accounting system.
## YE Close Journal Cleanup Options

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<td>Move a balance by each original transaction.</td>
<td>Move balances by Account for a large volume of transactions.</td>
<td>Move balances for a large volume of transactions.</td>
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<tr>
<td>• Create individual journal lines for each transaction.</td>
<td>• Create Standard Journal lines for the total amounts by Account.</td>
<td>• May be used for corrections of &gt;25 journal lines.</td>
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<td>• Routes for approval.</td>
<td>• Routes for approval.</td>
<td>• Does not route for approval. Must be submitted by Financial Manager.</td>
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<td>• Best if the correction involves less than twenty-five original transactions.</td>
<td>• Best if correction involves many transactions, and is not for Sponsored Research.</td>
<td>• Cannot include attachments or backup documentation.</td>
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<td>• Correction journal lines reflected on each individual transaction in FIN015 and FIN016 and easily reconciled back to original entry.</td>
<td>• In FIN015 and FIN016 reports, correction reflected as a lump sum journal line by Account in FIN015 and FIN016.</td>
<td>• Create lines in an excel document which is submitted to <a href="mailto:journals@princeton.edu">journals@princeton.edu</a>.</td>
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<td>• Best practice is to attach backup transaction documents to indicate what is being corrected.</td>
<td>• On FIN015 and FIN016 the correction is reflected as a Departmental Systems Journal and will include the line description entered by user.</td>
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<td>• Include “YE reclass to/from xxxx” in your description.</td>
<td>• Best practice is to include “YE reclass to/from xxxx” in this description.</td>
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More Information

For more comprehensive training regarding the topic of balances, register for our new course:

Manage Balances: Summary Reports, Funds & Journals

In this course, participants learn about summary reports including Spendable Balance (FIN008, FIN010, FIN012), Budget v. Actual (FIN005 and FIN006) and Account Summary (FIN011) reports. Using real-life scenarios we explain how to isolate anomalies, manage funds, manage negative balances and how to choose and prepare the appropriate journal to correct problems. This course is recommended for anyone who must report on Department, Fund and or Program chartstrings including person-specific Programs and non-person Programs like departmental workshops. Sponsored Research and Labor Accounting are not covered.