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**Restricted Funds Procedure**

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Policy Reference:	2020
Category:	Finance and Supply Management
Approval Body:	Board of Governors
Executive Sponsor:	Chief Financial Officer and VP, Finance and Corporate Services
Department Responsible:	Financial Services
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**Objectives**

BCIT receives external funding sometimes bound by restrictions on its use. These restrictions are imposed by an agreement (contract) with an external party (usually the donor or grantor) and specify the purpose or purposes for which the resources are to be used.

This procedure outlines the steps required to ensure consistency, transparency, and accountability in administering the terms of the agreement. BCIT employees must follow generally accepted financial and administrative control practices.

**Who This Procedure Applies To**

This procedure applies to all BCIT employees who receive funds on behalf of the Institute from external sources.

**Related Documents and Legislation****BCIT Policies**

- Policy 2020, Restricted Funds
- Policy 2501, Contracts

**Procedure****The School or Department Receiving External Funding (Contract Holder)**

- Prepares the contract according to Policy 2501, Contracts.
- Submits the Contract Approval Form to Corporate Services.
- Monitors expenditures to ensure compliance with the requirements of the contract.
- Prepares reports according to the requirements of the grantor or donor.
- Monitors contract end dates and, as needed, edits the documentation on file to reflect any changes to anticipated completion dates.
- Discusses proposed grant/donation with the BCIT Foundation to determine documentation, account set-up, and reporting requirements.
- Provides direction to Financial Services regarding the accounting for residual funds or deficits related to the project when BCIT's contractual obligation has ended.

**BCIT Foundation**

- Discusses the proposed grant or donation with Financial Services and the receiving school or department to understand the financial impact of the agreement.

- When there is a donor agreement, completes the documentation; then forwards a scanned signed copy to Corporate Services and the recipient school or department.
- When any donor agreement is revised, sends the unsigned agreement document to Corporate Services for review and approval before signing with the donor.
- Follows all future reporting requirements of the donor agreement.

**Financial Services**

- Checks that the documentation received complies with the requirements of PS 3100 for externally restricted funds.
- Confirms that the agreement has been reviewed and approved per Policy 2501, Contracts.
- Creates a separate restricted fund “org code” for each new contract or agreement.
- Recognizes revenues related to the externally restricted funds in the correct accounting period.
- Monitors contract end dates to keep the documentation on file up to date. Follows up with the school or department near the end date to request instructions to close the fund or to extend it based on updated documentation.

**Accounting**

1. All contracts follow the requirements of Policy 2501, including submission of the Contract Approval form. Once the contract has been approved, Supply Management provides a copy of the contract and the Contract Approval form to Financial Services, who create a new restricted fund. The Budget Office within Financial Services forwards details of the restricted fund to the contract holder.
2. Thereafter, the contract holder codes all requests to invoice, and invoices for payment to the new restricted fund org code. If that is not possible, the contract holder prepares the necessary cross charge form for submission to Financial Services, along with documentation that adequately supports the request (e.g., invoice copy, G/L summary).
3. Externally restricted funds should be recognized as revenue in BCIT's financial statements in the period in which the resources are used for the purpose or purposes specified.
4. When restricted funds are received in the same accounting period in which the related expenditures occur, the restrictions associated with the funds have effectively been complied with by the financial statement date, so the funds are recognized as revenue in the same period in which they are received.
5. When restricted funds are received in an accounting period prior to the related expenditures, the funds should not be recognized as revenues in that prior period. Because BCIT has an obligation to use the resources as stipulated in a future period, that obligation is best reflected by recording the unspent portion as a liability (deferred revenue). Financial Services must allocate revenues from restricted funds to the correct accounting period based on the details contained within the contract.
6. When the contract period has expired, the contract holder ensures any remaining funds are dealt with according to the contract. If they are to be returned to the funding agency, the contract holder requests that payment be issued within the time frames specified within the contract. If the residual funds are to be kept by BCIT, the contract holder provides Financial Services with a cross-

charge form specifying where to allocate the residual funds. At the same time, the contract holder makes a request to Financial Services to inactivate the org code.

**Forms Associated with this Procedure**

Contract Approval Form

**Amendment History**

This Procedure was previously incorporated into Policy 2020, Current Restricted Funds. As of 2017 May 03, this Procedure has been created as a separate document.

		Approval Date	Status
Created:	Restricted Funds Procedure v1	2017 May 03	Replaced
Revised:	Restricted Funds Procedure v2	2023 Apr 04	In Force

**Scheduled Review Date**

2025 April 04