

## **ESTABLISHMENT OF NEW RESTRICTED FUNDS**

### Policy:

**Restricted funds** are those that have externally established limitations or stipulations placed on their use. At the direction of the external funding source, restrictions may be broad (e.g. use for scholarships) or quite specific (e.g. use for scholarships for residents of Dudley with a GPA that exceeds 2.5 and financial need).

**Endowed funds** are established only by a donor, and can never be expended. The original principal of endowment funds must remain intact (nonexpendable) in perpetuity, and only the income earned (dividends and interest) can be expended. Thus, for an endowed fund to be useful, the endowment must be adequate to support the intended program on the income from the original endowment.

Nichols College has some restricted funds that are endowed and some that are not. The college policy is to minimize the creation of new restricted fund accounts, as each account requires individual monitoring. Before requesting the establishment of a new restricted account, review the existing restricted account listing to insure that the new funds cannot be combined with an existing account. A new account was established in July, 1999 to act as a General Scholarship Fund (fund balance account number 2-014-1614). Donors should be encouraged to make their contributions for scholarships to this fund when possible, as these funds may be used without restrictions to aid our most needy and deserving students.

### Procedure:

Complete the attached form to request the establishment of a new restricted account. The request should be forwarded to the Controller. The Controller will assign account numbers for the fund balance, income, and expenses to be associated with the new account. Each new account must have a responsible person designated. This person is responsible for insuring that the account is used for the established purpose, that funds are on hand to cover each expense, and that endowed account restrictions are complied with.