

Investing in the Internal Investment Program (IIP)
A basic guideline

One of the ways that departments can raise cash is by investing in the IIP. IIP is a short term investment vehicle with short term returns, but having the advantage of full liquidity. For longer term investments with better returns departments should look into Quasi Endowments, or work with the Development Office to secure sources for True Endowments. The following are the steps necessary to invest.

1. The source of funds has to be an allowable source. This is determined by the award purpose code of the project or the nature of the deposit entry if the project does not have an award. The following Fund Sources are allowable in IIP:

Qualified Fund Types	Award Type (GA)	Fund Source (GL)
Gift & Endowment Distribution Funds	DR	2075
	ER	2090
	DU	1100
	EU	1105
Local Plant Funds	LP	5045 / 5055 / 5110 / 5215 / 5430
E & G Reserves	SP	5212
Auxiliary Operating and Reserve Funds	SP	5210
	LP	5215
	SA	1010 / 1120 / 1140
	LA	1125
Unrestricted: Other Sources (Local)	IP	1165
Medical Center Operating and Reserve Funds		All Funds

2. If you have a project that has an allowable fund source, then you run a Cash Balance by Project report from the Discoverer Database. The cash balance that is used to calculate balance available to invest is "Project to Date without Commitments" column sum at the very bottom of the report. A negative number means you have cash. If the project is linked to a Revenue Parent, you run the cash balance report for the parent.

Cash Balance = Project to Date Revenues - Project to Date Expenditures +/- Transfers - Investments

3. Next you have to decide which pool to invest in. IIP has 2 pools. Each pool has a different threshold for investment, minimum deposit time period, and payout. Short-term Pool 1 (object code 1215) has a threshold of \$10,000 and a minimum deposit period of 1 year. Intermediate Pool 2 (object code 1216) has a threshold of \$500,000 and a minimum deposit period of 2 years.

The thresholds are the area where most people get tripped up. If you invest \$4,000,000 in 1216, your only promise is to maintain \$500,000 invested for 2 years not the full initial investment. This same concept applies to both pools.

The penalty for not meeting the time or minimum investment balance is typically the loss of a quarter's worth of interest.

4. Now you have a project, allowable funds, a cash balance, and an investment pool. The next step is an investing entry. The investment entries are as follows:

Debit: Entity.Project.FundSource.1215/6.ProjectOwningOrg.0000 \$\$\$\$\$\$
 Credit: Same.128471.Same FundSource.Same Object Code.99999.0000 \$\$\$\$\$\$

5. The month after quarter end your project will be allocated interest based on your project's quarterly average balance in IIP. This interest allocation is automatically reinvested on the day of allocation. There is no need for you to reinvest this income. Please refer to Policy FIN-025 for more details on the interest rates.
6. If you receive additional revenue in the project so that you have a positive cash balance on the cash balance report, you will need to do another investing entry if you are looking to make interest on that money. The only automatic parts of IIP are the quarterly interest allocation and the reinvestment of that interest.
7. If your project runs a cash deficit or if you have coming expenditures that are greater than your current cash balance, then you will need to do a divestment entry. The divestment entry reduces your investment balance and therefore increases your cash balance (e.g., transferring from your savings account to your checking account). The divestment entries are as follows:

Debit: Same.128471.Same FundSource.Same Object Code.99999.0000 \$\$\$\$\$
Credit: Entity.Project.FundSource.1215/6.ProjectOwningOrg.0000 \$\$\$\$\$

If you have any questions about IIP or other investment opportunities for your departments feel free to contact the Treasury office at treasury@virginia.edu.