April 15, 2008 Q&A Session
Topic: Different Types of Funds
Attendance: 27

Several announcements regarding future Q&A sessions were made at the beginning of the session, as follows:

- The Q&A sessions have now been offered for one year. At this point FAI has decided to change the frequency to quarterly going forward. The next Q&A Session is scheduled for July 15th, same time and location. Future sessions will be held the 3rd Tuesday of each October, January, and April.

- The July 15th session will be an "open" session. The session will be open to any topics, questions, or issues affecting customers. If items are identified in advance, please notify Mike Dickerson (mike_Dickerson@ncsu.edu) or Susan Holton (susan_holton@ncsu.edu).

A number of the Q&A sessions that have been held thus far have centered on ensuring that monies are deposited to the correct entity (i.e. University versus foundation), and are properly treated as either gifts or other income. Much time has been spent in trying to correct problems that occur. As a result of training sessions held with a number of departmental personnel, it appears there are some misunderstandings of how monies deposited to different ledgers may be spent. Feedback received over the last year has indicated that the resistance to correction of many of the items was due to the misunderstanding that if funds were moved to a University ledger it would affect the spending flexibility of those funds. **The purpose of this session is to help clarify and dispel some of these misunderstandings.**

It was pointed out that the foundations are separate legal entities from the University, and the two factors that determine what entity the monies should be deposited to include 1) the payee and 2) the way in which monies are solicited. Checks made payable to the University should be deposited into a University project (unless adequate documentation exists to support that the payor erroneously made their check payable to the University and their intention was to benefit a project in the Foundation.

A handout was provided (see attachment) listing the different fund types that FAI most often sees being deposited to Foundation projects erroneously. The handout also provided a summary of the restrictions on each type of fund, focusing on the restrictions we have heard from campus personnel as being problematic (food & beverages, alcohol, purchasing guidelines, and carryover of funds from year to year).

For gifts, we typically see errors being made where deposits that should go into a University gift project (Ledger 7) are instead deposited to a Foundation project (Ledger 6). It was explained that only when documentation can be provided by the donor indicating that their check was erroneously made payable to the University and their intention was to benefit a foundation project could the funds be deposited into a Foundation project if the gift check was made payable to the University.

A question was asked if a department head was soliciting funds for his department, how should those funds be raised/solicited – i.e. in the name of the Foundation or in the name of the University? The response was that from a spending flexibility standpoint there was very little difference as the restrictions on a Foundation project and University gift account are essentially the same. If the department head already had an existing gift account in the Foundation, or in the University, there might be some motivation from an administrative standpoint to solicit based on where his/her existing fund was (subject to the fact that the purpose had to be consistent).

One of the Q&A participants pointed out that gifts deposited to foundation funds are much easier to track in the ADVANCE system for donor relations and stewardship purposes. Gifts deposited to the University can be entered in ADVANCE, but are not tracked on a fund-by-fund basis.

It was reiterated that the goal of this session was not to address how funds should be solicited from a fundraising standpoint, but how those funds needed to be addressed once received. A specific question asked was whether it was appropriate to ask companies you were working with for gift funds. The response was that while it was not only acceptable and encourage, solicitations should be coordinated through an appropriate development office (either at the college level, or at the University Advancement level). One participant pointed out that this coordination was <u>essential</u> since many companies were receiving solicitations from numerous sources, and overall coordination would have a better chance of maximizing the overall goals of the University.

Also addressed were receipts of other income, such as from an alumni event. It was discussed that from the perspective of how the funds could be spent, there was very little difference if it was deposited in a University project (whether a sales and service project, or a University gift project in Ledger 7) or in a foundation project. What was important was how the funds were solicited or marketed. Also important to be aware of is that events sponsored by a foundation will not be covered under the University's liability insurance policy, and that event insurance would be needed if the foundation did not already have such a policy. It was suggested to contact the appropriate Foundation development office about event insurance.

Additional information on spending guidelines can be found at the following link:

http://www.fis.ncsu.edu/financialsvcs/SpendingGuidelines/Spending_Guidelines.pdf