

**FAI Q&A Session #1**  
**May 15, 2007**  
**Visitors Center Conference Room #255**  
**Attendance: \_26\_**

**TOPIC: Other Income**

Presenters from Foundations Accounting and Investments (FAI) were Mike Dickerson (513-4303) and Susan Holton (515-7375).

- The relationship between the foundations and the University was discussed. It was noted that while the Foundations are here to support the University, they are separate legal entities, and it is important that transactions be processed ~~into~~ the correct entity.
- Changes in our environment (e.g., Sarbanes-Oxley, new UNC-GA Regulations and formal operating agreements between the University and associated entities) have resulted in a closer focus on other income, to ensure it is deposited in the correct legal entity. Additionally, since the University is a state governmental entity, it is critical that any appearance of diverting state funds be avoided.
- The definition of Other Income was provided: Income for which a charitable deduction is not allowed. Other income generally results from the sale of a product (t-shirts, publications, etc.), service, or fundraising or friendraising activities (galas, tailgate events, alumni events, etc.).
- For other income to be deposited to a foundation, the following requirements must be met:
  - The foundation must provide the service, and/or pay the expenses related to the service.
  - It is important that any publications, announcements, websites, brochures, etc. not give the appearance that the University is the sole sponsor. The best way to accomplish this is to prominently indicate that the Foundation is sponsoring/hosting the event. (For example: “Sponsored by the Design Guild, an NCSU Foundation, Inc. Fund”, or “Sponsored by the North Carolina Agricultural Foundation, Inc.”). At a minimum, this language should be on the front page and registration page of the relevant marketing materials.

If all of these requirements are not met, other income receipts belong to the University and should be deposited in an appropriate University fund.

Additional information about other income, or other non-gift deposits includes:

- Fund-raising and friend-raising events (e.g., annual fall tailgate events, alumni events, Arts Gala events) are examples of events that produce other income for the foundations.
- Events sponsored by a foundation are not covered by the University's liability insurance. Event insurance may be purchased and is highly recommended.
- "I've always done it this way" is not a reason to be exempted from other income requirements for the foundations. It is important to note that, while it was never correct procedure for courses or seminars to be run through foundation projects, the UNC-GA regulations, which were incorporated into the formal operating agreements between the foundations and the University, now explicitly state this. These agreements became effective July 1, 2006.
- Refunds of expenditures need to be deposited to the account code (e.g., 52990) where the expense was originally charged rather than as a revenue (. e.g. 40399). Further, when depositing checks for refunds of expenditures, some type of documentation indicating/supporting the fact that the original expenditure was paid by the same project should be provided.
- 2 types of Other Income have special guidelines and requirements as follows:
  - (1) Royalty income – Requires advance review by either the University's Intellectual Property Committee, or the Copyright Committee before depositing to a foundation. Documentation from the appropriate committee should accompany the check. More information about royalties can be found at:  
[http://www.fis.ncsu.edu/foundations\\_accounting/services/royaltyincome.asp](http://www.fis.ncsu.edu/foundations_accounting/services/royaltyincome.asp)
  - (2) Raffles - Illegal in NC except for registered non-profit organizations (which the foundations qualify as) and are limited to 2 per calendar year for each registered non-profit. There are specific limits on the value of the prizes, as well as tax consequences to the winners. This information is available on the FAI website at:  
[http://www.fis.ncsu.edu/foundations\\_accounting/services/raffles.asp](http://www.fis.ncsu.edu/foundations_accounting/services/raffles.asp)
- Other income definitions and guidelines and forms are available on FAI website:

[http://www.fis.ncsu.edu/foundations\\_accounting/services/otherincome.asp](http://www.fis.ncsu.edu/foundations_accounting/services/otherincome.asp)

## SUMMARY:

- While an attempt has been made to provide guidance on events, or other activity that might generate other income receipts, it is not possible to specifically address each activity that could occur. FAI staff are available to answer questions about specific other income situations. If there is a question whether a check should be deposited to a University project, or a foundation project, it is better to contact FAI first to make the determination. Additionally, FAI can review promotional or marketing materials prior to an event to help make the determination up front.
- Upon request, FAI will provide additional training on other income to special college and departmental groups.