

## **FEBRUARY 19<sup>th</sup> Q&A - OTHER INCOME**

### *THREE ISSUES:*

- 1. Other Income versus Gift*
- 2. What entity to deposit to*
- 3. How to process*

## **DEFINITION OF OTHER INCOME**

Examples of Other Income - “getting something of value” – sale of a product such as a cookbook, t-shirt, luncheon, picnic, etc. With Other Income, the person is “paying” for something, rather than “giving” you something.

Keep in mind: Cost of what the person receives is Other Income, and is not tax deductible. (e.g., a meal costing \$20) Also if something is processed incorrectly as a gift, then the donor’s gift receipt will need to be corrected. This is automatically generated from gift processing if the revised amount is not –0-; otherwise no revised receipt is generated.

Events held for purpose of fundraising may result in situations where there is both an Other Income and Gift component. These usually involve a luncheon, gala, or perhaps include tickets to an event. For example, if holding a luncheon and the cost of the luncheon is \$25 and the person writes a check for \$100, then \$25 must be treated as Other Income and \$75 represents a gift.

Proceeds from raffle sales should be treated as Other Income (not tax deductible). Keep in mind that there are specific issues related to raffles (taxation of raffle winnings, limited to 2 per year per entity).

Sponsorships – Generally a gift, unless the sponsor receives something of value (tickets, luncheon, etc.) then must break out separately.

Royalty payments – A gift, from the company if the check comes from the company (but must have gone through the appropriate University review committee), or the individual if signed over.

### Other Considerations

- Expenses associated with the product/service that results in the generation of Other Income should be paid from the same project that the receipts are deposited to.
- Refunds of expenditures are different than Other Income, and should be deposited to the account where the original expenditure was incurred.

## **PAYEE ISSUES**

In addition to processing as Other Income (versus a gift), the other issue that we frequently encounter is where the receipts should be deposited (i.e. a foundation or in a University ledger). In determining where to deposit Other Income, the key is how the event/situation is marketed. Must state prominently – including on main page and registration page - Sponsored By, or Hosted By XYZ Foundation, etc. in order to deposit to a foundation ledger. In general, cannot use University resources (other than personnel) in generating the Other Income. For example, the Library sells “borrowing permits” which allow borrowing privileges at the library. Since the Library is part of the University, these deposits must run through a University ledger.

Related expenses must be paid from the same account. Cannot pay expenses from a University account and then deposit receipts into a Foundation account.

Events sponsored by a Foundation are not covered by the University’s liability insurance policy. Will need to consider the need for event insurance if the event is being sponsored by the Foundation.

## **HOW TO PROCESS OTHER INCOME**

Question #1 – is it being deposited in a University ledger (i.e. ledger 3 or ledger 7)?

- If yes, should be deposited through the University Cashier’s Office

Question #2 – is it being deposited in a foundation project (ledger 6)? If yes, then:

- If cash or check, AND no gift component, then should be forwarded to FAI
- If cash or check, AND there IS a gift component, then should be forwarded to Gift Processing. After processing the gift, Gift Processing will forward the information to FAI for further processing.
- If a credit card (unless credit card transaction is processed directly by the foundation) then should be forwarded to Gift Processing. They run the credit card transaction, and then forward to FAI.

For Other Income Deposits - The deposit should be accompanied by a Control Log listing providing the required information (refer to FAI Website). Documentation should also be included to support the fact that the activity or event was sponsored/hosted by the foundation. This can include a copy of a brochure, registration forms, invitations, web pages, etc. The key is that it must be prominently stated that the event/activity is hosted by, or sponsored by the Foundation.

Gift transmittals must be completed, as normal, for any gift components.