



◦ Issue 4 | ◦ 2015

FYI from FAI

Foundations Accounting and Investments

The FAI website is located at <http://foundationsaccounting.ofb.ncsu.edu/>

FY14 ENDOWMENT RESULTS

The total endowment attributable to NC State closed fiscal year 2014 at \$885.1 million. The value reported for fiscal year 2013 was \$769.4 million. The growth from fiscal 2013 to fiscal 2014 is a function of both new cash gifts to the University and investment performance during the year. This endowment value, along with our combined investment performance for the fiscal year of 15.84% for all entities, is what we report to NACUBO and other endowment surveys. This compares favorably with the average return of 15.7% for all public universities of our size. As most of you know, growing our endowment has become an institutional priority. The endowment has grown by over 75% since 2010 when Chancellor Woodson arrived at NC State.

GOT Unused Endowment Spending Budgets?

Does your unit have balances sitting in endowment income funds that are not going to be spent this year or next? If so, perhaps you should recommend to the responsible person that some or all of those balances be returned to endowment principal and reinvested in the long-term investment pool.

Why should you consider doing this? Returning monies to principal that are not expected to be spent in the next 18 to 24 months can result in higher earnings, endowment growth and higher future endowment spending budgets. As a point of reference, the return generated by the NC State Investment Fund for the five years ended December 31, 2014 was an average annual 9.5%. In addition, unused spending budgets returned to principal remain classified as spending reserves, and can be tapped for future budgets by using the spending budget exception process. Additionally, not using our endowment spending budgets could be sending a message to donors that we do not need their support.

How can you check for balances in endowment income funds? It's easy! Just log on to FAI's Financial Reports website:

https://www.acs.ncsu.edu/scripts/fdn/nc_fd_main2

Select "Foundations Fund Report". For Step 2, enter the project reference for your foundation, enter a departments range if necessary, and enter FAI Fund Type **F0**, which are endowment income funds. (Note that the 2nd digit is the number zero, not an alpha letter O.) Run the report and review "Ending Balances" for amounts that are not needed and could be returned to principal. Then just notify Chris Lemons or Susan Holton in FAI of how much to transfer back to principal from each endowment income fund.

If you have questions, Chris Lemons (3-7133) or Susan Holton (5-7375) are happy to assist.

Next Q & A Session:

May 2015
Joyner Visitor Center
Room 165
3:00-4:00 p.m.



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Pledge Confirmations

It's getting closer to fiscal year-end so we wanted to send out a reminder as to what the auditors are looking for when selecting pledges to confirm with donors.

When recording a gift of a future commitment, it is important to make the proper distinction between a pledge and a bequest. Both gifts are considered a receivable of the fundraising entity and count toward fundraising goals, however only a pledge is considered a receivable on the entity's audited financial statements and subject to donor confirmation.

To be considered a pledge, the commitment must meet ALL of the following requirements:

The commitment must be written

Signed by the donors

Include the total amount of the pledge

Include pledge period (usually no longer than 5 years)

The date of the first payment

Frequency of payments

Contain a statement of the gifts designation, purpose, and any restrictions

No contingencies other than the passage of time (Examples of contingencies would be the required completion of construction of a building or required matching fundraising raised prior to pledge payments being made.)

There are significant potential financial statement impacts and red flags for auditors if a commitment is improperly recorded as a pledge when received and subsequently changed, which means the auditors will scrutinize and select more pledges for donor confirmation. Therefore, it is important to ensure that all pledge requirements are met prior to recording it as a pledge. Please also remember that all recorded pledges selected for donor confirmation letters are required to be mailed by the auditors directly to the donors.

For more information about recording pledges and bequests in the Advance system, please refer to the SOP for Gift Acceptance on the Advancement Services website found at <http://giving.ncsu.edu/about-us/guidelines-procedures/>. Please remember to review pledges prior to June 30.

Questions regarding the audited financial statement presentation for pledges can be directed to Erin Delehanty (ecdeleha@ncsu.edu).

SPONSORSHIPS

Sponsorships are generally considered a gift unless the sponsor receives something of value as part of the sponsorship – for example, meals, tickets, etc. In these cases, the value of the items received must be subtracted from the sponsorship amount. For example, if a company sponsors an event and pays \$1,000, and in exchange receives four free meals valued at \$25 each, then \$900 would be treated as a gift, and \$100 would be treated as Other Income. The gift portion should be processed the same as any other gift. Sponsorships can be deposited as a gift into a Foundation project if the check is made payable to the Foundation and it is marketed/solicited in the name of the Foundation. However, corresponding expenses covered by the sponsorship should also be paid by the Foundation.

DID YOU KNOW...

that FAI recently conducted a New Development Officers Training? If you were unable to attend or would like to review any portion of the presentation, please go to <http://foundationsaccounting.ofb.ncsu.edu/development-officers-toolbox/>

REMINDERS:

- * Sometimes gifts come in without the documentation needed to put them in the "right bucket". When that happens, instead of holding donor checks, these gifts can and should be batched to clearing. There will be a reduced chance of misplacing the check, and donors will receive timely receipts without the words "Clearing Account" printed on them .
- * One of Fundriver's cool features is the ability to attach documents such as Chart Field Requests and the legal agreements for each endowment. FAI has tried to ensure that the correct and most current endowment documents are attached, but we need your help. If you find a document that needs attention or needs replaced by a more complete or current version, please let Chris Lemons know (clmlemons@ncsu.edu).
- * There have been changes to the Foundation Payment Request Form. The updated form now requires vendor contact information, specifically an email address and phone number. This information will not be distributed beyond Foundations Accounting and Investments staff and will primarily be used when preparing and distributing Form 1099s for tax purposes. The transmittal form and additional information is located at <http://foundationsaccounting.ofb.ncsu.edu/forms/> (Please replace any previous versions you have saved locally.)