

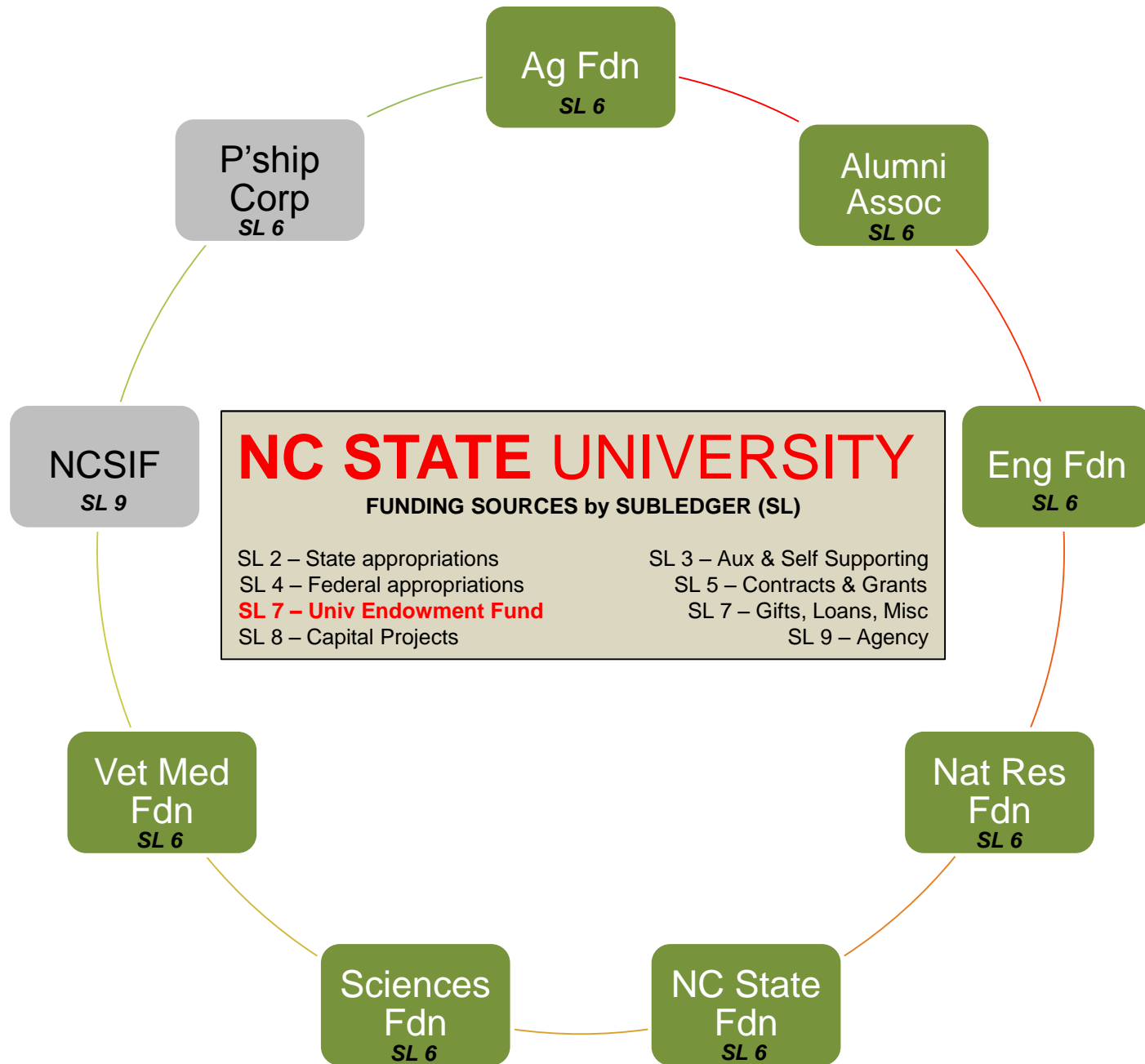
New Development Officer Training

March 11, 2015

Foundations Accounting & Investments (FAI)
Mike Dickerson & Susan Holton

Agenda

- Legal Entities
- Governance & Reference
- Fund Types
- Reporting Systems
- **Endowments**
 - Governance and Reference
 - Investments
 - MOU's
 - Spending budgets
 - Reports
 - Assessments
- Potpourri



General Governance & Reference

- [Associated entity operating agreements](#)
- [Definitions: Gifts, Grants & Contracts](#)
 - [Red flag terms](#)
- Resources: [Legal names, W-9's, 990 tax returns, audits](#)
- Regulation of [Institutional Trust Funds](#)
- [UPMIFA](#)

What's the Difference: SL 6 & SL 7?

- SL 6 = Ledger 6 = Foundation Funds = Foundation Accounts
- SL 7 = Belong to the university (Endowment Fund; gift funds; loan funds)

NO DIFFERENCE: Gifts can go to either Ledger 6 or Ledger 7, regardless of benefitting unit. Which ledger is determined by legal requirements based on MOU, will, proposal, payee, correspondence.

NO DIFFERENCE: All gifts, regardless of whether in Ledger 6 or Ledger 7, must be captured in Advance

NO DIFFERENCE: All gifts, regardless of whether in Ledger 6 or Ledger 7, “count” and are reflected in development reports

NO DIFFERENCE: Purchases less than \$5,000.

DIFFERENCE: Purchases greater than \$5,000 paid from Ledger 7 must comply with purchasing guidelines. Purchases greater than \$5,000 paid from Ledger 6 that are paid through A/P must also comply with guidelines. In rare circumstances, if a valid business case can be made, a manual check can be written by FAI outside of the normal purchasing guidelines.

*******Effort spent to overcome existing documentation is often wasted*******

Foundation Fund Types

	GENERAL FUND	RESTRICTED FUNDS Regular	RESTRICTED FUNDS Endowment Income	RESTRICTED FUNDS Building to Endowment (BTE)	ENDOWMENTS True and Quasi	LIFE INCOME
Restrictions	Unrestricted gifts to foundation; ONLY fund type for which board controls use.	Donor-specified purpose	Specified by donor in endowment agreement	Specified by donor in endowment agreement; not spendable.	Specified by donor in endowment agreement; not spendable unless quasi or agreement permits per UPMIFA and board-approved spending policy	Supports income stream to designated beneficiaries named in trust or gift annuity.
Invested	Short –term to intermediate-term funds = Operating Cash Investment Pool.				Long-term investment pool = NC State Investment Fund, Inc.	Long-term investments managed by Wells Fargo
Income Earned	Benefits the General Fund			Used in lieu of gift assessment; split 50/50 between College Dev. & Central Dev. for fundraising needs.	Used for spending budgets and assessments; excess reinvested.	Used for distributions to beneficiaries; excess reinvested.
Budgeting Process	Dean & Exec. Dir. prepare, Chancellor signs off. Board reviews, approves at spring meeting.	No board approval. Responsible persons (e.g., faculty) may spend at any time.	Board-approved spending policy. Unused budgets roll to next year. Annual return to principal, reinvest reminder.	N/A	Determined by board-approved spending policy. Spending budgets computed by FAI and communicated to campus in December of current fiscal year for next fiscal year.	N/A
Other	Supports both operational & programmatic needs. Budget lines do not roll over. Dean may use at his discretion	Can have an unrestricted purpose, typically restricted to a department or college.	Unused funds carry over to next fiscal year; option to return to principal	Building to a minimum level. If not reached in 5 years, converted to restricted fund or added to general fund, based on donor agreement.	Underwater = market value less than corpus for true endowments. If underwater, no spending unless agreement permits.	Residuals mostly designated for specific endowment; donor may opt to leave as unrestricted.

Reporting Systems

Advance

NC State's central donor recognition database. Tracks gifts by donor and by Advance allocation.

Financials or Wolfpack Reporting System (WRS)

NC State's accounting and financial reporting system. Funds are referred to as projects or segments. Use to look up restricted fund and endowment income fund balances, one fund at a time.

FAI Financial Reports

Custom reports that compile Financials data for multiple funds by entity, by fund type and/or by department. Reports are designed for foundations SL 6 and for Endowment Fund SL 7.

Fundriver

Endowment unitization and reports software. Data source for financial information contained on annual stewardship reports. Endowment MOU's can be viewed in Fundriver.

RELATIONSHIP: Advance and Financials

- Gifts flow through Advance and are recorded in Financials via an automated daily journal entry feed.
- Identifiable by “AD” in journal entry ID
- Advance drives 5% fee on current gifts
- Gift corrections should be routed through Advance to ensure:
 - correction of gift in Financials
 - correction of 5% gift fee on current gifts
 - adequate audit trail of gifts



Endowments Governance & Reference

- [UPMIFA](#)
- [Endowment spending policies](#)
- [University minimums](#)
- General Statutes
 - [Endowment Fund](#)
 - Will bequests
 - DPETF
- [Endowment FAQ's](#)

Endowment Investments

- NC State Investment Fund, Inc.
- Established April 1, 1999
- 15.7% - 2014 fiscal year return
- \$637 Million – December 31, 2014 market value and FYTD return of 9.7%
- FAI Web Page Link:
<http://foundationsaccounting.ofb.ncsu.edu/investment-fund/>

Endowment MOU's (*Memorandum of Understanding*)

- Standard endowment MOU in process of being revised
- University standard will follow spending policy permitting prudent spending of corpus
- Simplicity and flexibility key considerations when drafting purpose. Purpose of an endowment should be achievable in perpetuity.
- Review and approval process
- CHANGES – Amendment vs. New MOU

Endowment Spending Budgets

- Each foundation and the EF have board-approved endowment spending policies with a programmatic spending rate of 4%.
- Spending rate per unit = 4% of 20-quarter average market value of the long term pool.
Spending budget = Spending rate per unit TIMES units owned by each endowment.
- Endowment spending budgets for next fiscal year are computed and communicated to campus annually in December, based on prior fiscal year-end endowment data
- [Spending budgets for new endowments](#)

Endowment Reports

- [Fundriver](#)

Summary: Single endowment lookup for market value, spending budget, principal and income project #'s, MOU

Reports:

- (1) Building to Endowment:** List of funds building to endowment that have been invested in the long-term pool, with market value and end date of 5-year building period
- (2) Corpus and Market Value:** List of all endowments and BTE's with corpus, market value and spending reserves. Updated annually at June 30.
- (3) Market Value:** Roll-forward of market value from one period to another for all endowments and BTE's, with department, Advance type, BTE?, Spend Corpus?. Option to sort by department, constituent unit, fund type.

Endowment Assessments

(in basis points = bp)

Entity	Gen Fund	Univ Adv	University (c)	TOTAL
Ag Fdn	25	25	50	100
Alumni Assoc	--	55	50	105
Endow Fund	--	55	50	105
Eng Fdn	75	(a)	50	125
Nat Res Fdn	25	25	50	100
NC State Fdn	55	--	50	105
Sciences Fdn	55	(b)	50	105
Tob Fdn	--	25	50	75
Vet Med Fdn	--	25	50	75

NOTES:

(a) Engineering Foundation pays an amount equivalent to a 25 bp endowment assessment from the general fund.

(b) Sciences Foundation pays an amount equivalent to a 25 bp endowment assessment from the general fund.

(b)To support fund raising costs; split 50/50 between central development and the college or campus unit.

Potpourri

- Checks without a fund → 24-hour deposit rule
→ Use **CLEARING ACCOUNT**
- Pledges
- [Other Income](#) & Events
 - Sponsorships
 - Raffles
- Gifts in kind

New Development Officer Training

QUESTIONS?

Foundations Accounting & Investments website:
<http://foundationsaccounting.ofb.ncsu.edu/>

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