Office of Finance and Business
Policies and Procedures Compendium

Financial Management Guidelines- College Foundations

Related Department(s):

Accounting

Contact:

Business Office/ Accounting Department

718-482-5509

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The City University of New York

Office of the University Controller
Financial Management Guidelines

College Foundations

I. PREAMBLE

The City University of New York ("CUNY" or the "University") recognizes the vital role that the college-related foundations play in enabling the University and the colleges to achieve their mission. Although independent, each foundation is organized for the sole purpose of supporting a particular college. Through fundraising, fund management, and other activities in cooperation with the college, a foundation can assist its supported college in meeting its higher education goals.

As a condition of a foundation's use of the University's or a college's name and resources, a foundation must accept certain requirements intended to protect the University's interests, as well as to help ensure that the foundation operates in a prudent, lawful manner. As further described in this document, the foundations shall be:

1. organized solely for the college's benefit;

2. operated in a fiscally prudent manner and consistent with its governance documents and law; and

3. guided by the highest ideals in good governance and ethical judgment.

II. PURPOSE AND SCOPE OF POLICY

The purpose of this policy is to establish guidelines and best practices regarding the college foundations of CUNY. This policy supersedes the Management Guidelines for CUNY College Foundations issued by the CUNY Chancellor on February 14, 2000.

III. OVERVIEW

The college foundations (each a "Foundation") are entities created and operated exclusively to benefit a particular CUNY college by conducting fundraising, investment, fund management, including endowment fund management, and otherwise aiding and promoting the educational and charitable purposes and lawful activities of that College. The Foundation shall not accept and/or manage funds that do not relate to its primary purpose or mission. Examples of funds that should not be managed by the Foundation include those related to adult and continuing education, performing arts, and rental income from College facilities.

IV. AUTHORITY

A Foundation may be created under a college's name only with the approval of the CUNY Board of Trustees after review of the purpose of the Foundation, its proposed organizational format and scope of its activities.

Established Foundations must submit to the CUNY Board of Trustees for approval any proposed change in nature, purpose, or scope of the Foundation activities that is substantial in nature, and outside the normal function of the Foundation.

V. Structure, Governance and Dissolution

A. Structure

Each Foundation shall be organized and operated as a New York not-for-profit corporation that is legally separate from the University. It shall obtain and maintain status as a tax-exempt, charitable organization under § 501(c)(3) of the Internal Revenue Code and applicable state laws so contributions and bequests to it will be deductible charitable contributions as provided by Federal income tax laws.

B. Governance

Each Foundation's board of directors shall review its certificate of incorporation and by-laws at least every five years to ensure they are suitable for the Foundation's current operations.

The composition of the Foundations' board, including its membership, committee structure, and adherence to term limits if any, shall be in full compliance with the certificate of incorporation and the by-laws. The majority of its members and officers should be external, non-CUNY employees.

The Foundation's board shall conduct its business, including meetings, elections of officers, other voting, and the keeping of minutes and other records, in full compliance with its by-laws and the New York Not-For-Profit Corporation Law. It shall maintain on file all official minutes of meetings, signed by the individual officially writing the minutes.

Each Foundation shall develop a written conflict of interest policy as described in Section VIII of these Guidelines.

The Foundation board shall maintain a current corporate resolution authorizing certain individuals to act on behalf of the Foundation between board meetings for securities transactions, executing documents previously approved by the board or which do not require board approval, and conducting other day-to-day business operations.

C. Dissolution

Each Foundation's certificate of incorporation shall include a clause requiring that in the event of its dissolution, the Foundation's assets shall be distributed to another appropriate not-for-profit corporation, or to the University, for the benefit of the college that the Foundation was created to support.

VI. Legal and Tax Compliance

A. Corporation and Fiduciary Responsibilities

Each Foundation shall meet all requirements of the New York Not-For-Profit Corporation Law. It shall maintain its corporate status on a current basis through filings as required by the New York State Secretary of State.

Each Foundation board shall be familiar with, and fulfill, its fiduciary responsibilities under the Uniform Management of Institutional Funds Act (as adopted by New York State in §§ 512 –514, 522 and 717(a) of the New York Not-for-Profit Corporation Law), and any other statutes that define its fiduciary responsibilities. Each Foundation shall comply with all other local, state and federal laws applicable to its organization and activities.

B. Solicitation in New York and Other States

Each Foundation shall meet all registration and reporting requirements of New York charities pursuant to the New York Estates, Powers and Trust Law and the New York Executive Law, and all applicable New York State statutes and regulations affecting fundraising and management of gift assets, as well as the requirements of such other jurisdictions in which the Foundation concentrates its fundraising activities.

C. Tax Requirements

Each Foundation shall make all required filings with the Internal Revenue Service (IRS) and the New York State Department of Taxation and Finance. A Foundation shall determine whether any of its income represents unrelated business income (UBI). If so, it shall file Form 990-T with its annual federal informational tax returns (Form 990), and shall pay any federal tax owed. If subject to New York UBIT, it shall also file NYS Form CT-13 and pay any tax owed.

Each Foundation shall make available for public inspection its Form 1023 request to the IRS for tax-exempt status, its IRS "determination" letters as a 501 (c)(3) organization, and its Form 990s for the past three years. It shall provide copies of these documents to those who request them, as required by law.

Each Foundation shall comply with Internal Revenue Code § 170(f)(8) regarding written acknowledgement of gifts of $250 or more.

Each Foundation shall follow all other applicable tax laws enforced and/or promulgated by the IRS or New York State, including, without limitation, Internal Revenue Code § 4958 regarding intermediate sanctions, and those laws relating to payroll and vendor payments (Form 1099).

D. Contracts
No Foundation shall enter into any contract that would obligate its supported college without the prior written approval of the college president. All such contracts shall be for the benefit of the college.

E. Use of College Name and Marks
A Foundation may, solely in connection with its lawful activities to benefit its supported college, use the name of the college as well as the logos, seals, and other symbols and marks of the college, pursuant to the terms and conditions of the Memorandum of Understanding between the Foundation and the college.

F. Legal Counsel
Each Foundation should retain independent legal counsel, as needed.

VII. INSURANCE AND INDEMNIFICATION

Each Foundation shall obtain directors and officers' liability insurance (for a minimum of $1 million) and comprehensive general liability insurance in such amounts determined by the Foundation board to be reasonable and appropriate. Each Foundation board should routinely review total amounts for all forms of insurance to ensure sufficient and appropriate coverage, including coverage for new gift assets.

Each Foundation board may require those individuals whose duties include administering Foundation funds to furnish adequate surety bonds approved by the board as to form and coverage.

Each Foundation's by-laws shall include provisions indemnifying its directors and officers to the fullest extent permitted by law.

VIII. PERSONNEL

Each Foundation should have adequate and qualified staff, or should retain fiscal agents, to fulfill its responsibilities to donors as trustee under any retained-income arrangements (gift annuities, pooled income funds, charitable trusts, etc.) and under any other fiduciary relationship between a Foundation and its donors, and to carry out its other responsibilities.

Each Foundation board shall adopt written policies on ethics and on conflicts-of-interest that apply both to board members and to staff and are consistent with § 715 of the New York Not-for-Profit Corporation Law. The conflicts-of-interest policy should include a provision that requires annual reports and disclosures by board members and senior staff; these documents should be reviewed by an appropriate board committee or officer of the Foundation. Business transactions involving the Foundation and the personal or business affairs of a trustee, director, officer, or staff member shall be approved in advance by resolution at a stated meeting of the governing board. In addition, trustees, directors, officers, and staff members of a Foundation shall disqualify themselves from making, participating in making, or in any way attempting to use their official positions to influence a decision in which they have or would have financial interest.

The appointment and re-appointment of a Foundation executive director or chief operating officer if applicable, and the terms and conditions of such appointment and re-appointment should be subject to approval of the Foundation board and the supported college's president. The Foundation board in cooperation with the college president shall adopt written policies and procedures for regularly scheduled performance evaluations of such Foundation executive.

Each Foundation board should, after review of appropriate comparability data, set compensation standards, including salary ranges and fringe benefits, for staff under its jurisdiction including the Foundation executive. Where feasible, compensation standards, with specified minimum and maximum pay ranges, shall be comparable to positions at the supported college and at Foundations supporting other University colleges, with similar responsibilities.

No Foundation shall discriminate in employment or in its programs and activities on the basis of race, color, creed, national origin, ethnicity, ancestry, religion, age, sex, sexual orientation, gender identity, marital status, legally registered domestic partnership status, disability, predisposing genetic characteristics, alienage, citizenship, military or veteran status, or status as a victim of domestic violence.

IX. Fundraising Activities

A. Cooperation with College

Each Foundation shall plan and conduct all fundraising and related advancement activities in close cooperation with the president of its supported college and the college office of development and institutional advancement, and in concert with college and University policies. No funded program should be created by the Foundation without the approval of the college president.

B. Gifts Payable to Other than Foundation

Each Foundation shall adopt guidelines to ensure that funds or gifts payable to its supported college, the University, or any other University entity should be deposited with or transferred to the appropriate entity, or are otherwise dealt with according to policy or agreement with the college or the University. (See also Cash and Treasury Management – Transfer of Funds, below.)

C. Approval of Restricted Gifts

Each Foundation shall advise donors that any restrictive terms and conditions attached to gifts for the benefit of its supported college are subject to college approval. Any restrictions on previous gifts that are illegal or discriminatory must be addressed.

D. Stewardship

Each Foundation shall insure that all donors are appropriately acknowledged, and that use of gifts is in compliance with the donors' intent. A system and written policy to insure this practice should be implemented.

E. Policies and Procedures

Each Foundation board should adopt appropriate policies and procedures to ensure that the proceeds of its fundraising are appropriately recorded, credited, acknowledged, and administered based on legal requirements and donor stewardship parameters. Each Foundation should follow the CUNY College Foundation Best

Practices Resource Guide, and/or CASE (Council for the Advancement and Support of Education) standards.

Policies adopted should include:

1. Gift Acceptance Policy, which addresses, among other things:

   a. accountability of cash at the point of receipt;

   b. provision of gift documentation to donors in compliance with applicable law. Each donor who creates a restricted fund should enter into a written, signed agreement with the Foundation, which describes any fees to be charged, and which authorizes the Foundation's board to re-direct disbursements from the fund should the purposes for which it was created no longer be feasible;

   c. acceptance, management and disposition of non-cash gifts, including securities and real estate gifts;

   d. prior to acceptance, legal review and estimate of gift management costs of donor restrictive gifts, gifts of real property, and gifts of personal property that are not readily marketable;

   e. creation of a system for tracking all restricted funds separately; and

   f. maintenance of a separate record for each donor and for each gift.

   g. Each gift should be counted, valued or discounted in accordance with CASE standards and Generally Accepted Accounting Principles (GAAP).

2. Policy for regularly reporting to donors on the use of funds and on their financial status.

3. Policies regarding investment, spending rates, and endowment audits (see Cash and Treasury Management, below).

X. Memorandum of Understanding

Each Foundation shall enter into a written agreement or memorandum of understanding with its supported college, which clearly defines their respective roles, relationships, and expectations. In addition to those items mentioned below, the agreement should address, among other things, the Foundation's right to use the College's name and trademarks, management and use of funds held by the Foundation, and coordination of fundraising activities.

A. Use of Facilities

A Foundation may occupy, operate, and use college facilities and property separately or jointly with its supported college as identified by the written agreement between the college and the Foundation. The Foundation shall use the facilities and property only for those services and functions that are consistent with the written agreement and applicable current or future policies, rules, and regulations of the CUNY Board of Trustees and the college.

B. Provision of Services

A Foundation may, by prior written agreement, reimburse its supported college for certain expenditures incurred by the college as a result of activities of the Foundation. The college shall invoice the Foundation for such expenditures, indicating items charged and the method of determining costs.

The college may provide certain services, at no cost, to the Foundation, which may include office space, telephones, custodial and facilities maintenance services, equipment and information systems service and advice, personnel and related assistance and other similar services.

C. Alumni Information/Database

In principle and practice, the creation, maintenance, support, and ownership of alumni information and the alumni database itself should always be consistent with the best interests of the college. This is particularly true when these functions and responsibilities are shared among a college and either or both its Foundation and a separately incorporated alumni association. In general and wherever possible, the college should own and manage the alumni database and provide access to the College's foundation and/or alumni association. Laws such as the Family Educational Rights and Privacy Act (FERPA) and national best practices and precedents should guide the Foundation and its supported college in addressing the issues of ownership and usage of alumni information. A Foundation, its supported college and any other parties which share use and/or responsibility for alumni information must enter into a written agreement that sets forth: (i) who owns the alumni information and the database, (ii) permitted and prohibited uses of alumni data by third parties (i.e., credit card services, insurance, and alumni directories), and (iii) college policy regarding the privacy of alumni data.

XI. Financial Management

Each Foundation is responsible for developing and managing its budgets and operating plans, monitoring its fiscal status and complying with applicable federal, state and local laws, and University and college rules and regulations.

A. Budget

Each Foundation should develop an annual operating budget that sets formal financial goals in consultation with the President. Budgets should include the total financial operation and be prepared on the basis of historical data, projected short-range trends, and long-range financial objectives.

The college President should plan for current and future college operations and programs with the assumption that continued and growing financial support by the Foundation should be in place. Annual budgets and plans should be reviewed by and approved by a Foundation's board of directors in partnership with the President. Financial commitments and expenditures by the Foundation should be in accordance with the approved budgets and plans.

B. Cash and Treasury Management

Any cash that is scheduled to be used in the current year can be invested in short-term investments such as U.S. Treasury bills, money market accounts, certificates of deposits etc., or the University's short-term investment program. Funds that can be invested for a longer period should be invested in accordance with the Foundation's investments policy, or may be invested in the University's Investment Pool. NACUBO (National Association of College and University Business Officers) is an excellent source of guidance in this area.

i. Investment Policy

Each Foundation should develop a written investment policy that addresses, among other things, acceptable risk profiles including prohibited holdings for short-term and long-term investments and an asset allocation strategy if invested outside of the University Investment pool. Each Foundation should also develop a written spending rate policy that is linked to the investment policy. NACUBO advises that a College spend 4% to 6% of the rolling twelve quarter average of the combined cash value of the endowed and parallel restricted funds. This or a similar formula should be adopted as the spending standard unless otherwise directed by the donor, or the gift instrument.

ii. Endowments

Endowments should be invested with respect to prevailing principles of sound financial management and legal obligations. Earnings are credited according to the amount of principal endowed and any previously unspent earnings on the individual endowment. A portion of the earnings of these accounts becomes available to support the respective endowments in accordance with the directions specified by the donor of the endowment. The Foundation's spending policy should set forth guidelines for determining how much of the earnings of the endowments may be spent.

Each Foundation should also establish a policy for routinely auditing endowments and any other permanently restricted funds to ensure they are being managed and used in accordance with donor restrictions.

iii. Transfer of Funds

Any transfer of endowments or other assets by the supported college or the University to a Foundation, or by a Foundation to its supported college or the University, for management or investment, should be formalized in a memorandum of agreement so the fiduciary requirements of the respective governing boards are complied with and to assure, among other things, that any restrictions governing the future dispositions of the funds are observed.

C. Purchasing

Each Foundation should follow sound procurement practices and procedures that provide for open and free competition to the maximum extent practicable while meeting the needs of management for flexibility and minimum administrative burden.

D. Accounting

Each Foundation should maintain a centralized financial system, which provides an accrual basis accounting system. Each Foundation should process all financial transactions through the system and prepare uniform statements and reports.

Each Foundation should follow the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee of Accounting Procedures.

Each Foundation should implement all new FASB accounting rules and regulations.

XII. Financial Reporting

The chief executive officer and/or chief financial officer of each Foundation should provide the Foundation's board of directors with periodic financial and managerial reports.

Each Foundation should prepare annual financial statements in conformity with generally accepted accounting principles (GAAP) and have them audited by an independent certified public accounting firm or sole practitioner (independent auditor) in accordance with generally accepted auditing standards. To enable the University to include pertinent information in its annual financial statements, the audit must be completed within 90 days after the close of a Foundation's fiscal year.

The public accounting firm or sole practitioner retained by the Foundation should have experience auditing exempt organizations. No certified public accounting partner or sole practitioner can serve as the independent auditor for more than a seven-year period, after which the partner or sole practitioner is not eligible to serve again as the independent auditor until not less than a three-year intervening period has elapsed.

The books and records, financial condition, operating results, and program activities of a Foundation are also subject to periodic audit by the University's Office of Internal Audit and Management Services and outside regulatory bodies to the extent allowed by law. A Foundation should provide copies of each of its audit reports from whatever source, including the certified (consolidated) financial statements and management letter, to the president of its supported college and the University's Office of the University Controller. In addition, when circumstances warrant, the CUNY Chancellor may request from a college president a report on a particular activity of its Foundation.

Refer to Appendix A for guidance on financial reporting categories and other information needed to prepare audited financial statements.

XIII. Policy Manual

Each Foundation should develop a comprehensive manual documenting the policies, procedures, standards, and other administrative and operating criteria applicable to it. This manual should be maintained on a current basis and made available to internal and external auditors, the supported college's business office, and the University's Office of Budget and Finance.

XIV. Best Practices

The CUNY Office of University Advancement working with the *Chancellor's Task Force on CUNY College Foundations* has created a Best Practices Resource Book that has examples of useful and effective policies drawn from CUNY College Foundations and other public colleges and universities from throughout the United States.

XV. Internal Controls

Each Foundation is responsible for establishing and maintaining adequate internal controls. Some of these controls include maintaining segregation of duties between the cash receipts and disbursements functions, preparing timely bank reconciliations, requiring dual signatories on checks over set amounts, maintaining segregation duties between the accounts payable and purchasing and payroll and human resource functions and restricting access to the vendor listing.

XVI. Records Retention

Each Foundation should establish a document retention policy that provides for the orderly management of Foundation records consistent with local, state and federal laws.

XVII. Update and Periodic Review

The CUNY Office of the University Controller will be responsible for the periodic review and revision of this policy, as well as ensuring that all appropriate parties are informed of the guidelines stated above.

XVIII. Related Information

In support of this policy, the following links and/or references to additional resources for related information are included:

New York Not-for-Profit Corporation Law – http://public.leginfo.state.ny.us
Internal Revenue Service – www.irs.gov
New York State Charities Bureau - www.oag.state.ny.us/charities/charities.html
National Association of State Charity Officials – www.nasconet.org
American Institute of Certified Public Accountants – www.aicpa.org
Financial Accounting Standards Board – www.fasb.org
National Association of College and University Business Officers – www.nacubo.org
Council for Advancement and Support of Education – www.case.org

APPENDIX A

Consolidating Foundation Reports

The University adopted the provisions of GASB Statement No. 39 in fiscal year 2004; under this guidance, the University now all CUNY college foundations in its financial statements. These Foundation financial statements are maintained in their original FASB format. However, certain adjustments are made to make the Foundation financial statements comparable.

The objective of this section is to provide accounting and financial reporting guidance to the Foundations in an effort to ensure that all of the Foundations are reporting their financial activity in a consistent and accurate manner.

Statement of Financial Position

The Statement of Financial Position should focus on the Foundation as a whole and should report the amounts of its assets, liabilities and net assets. Assets and liabilities should be aggregated into reasonable homogenous groups.

Assets	**Description**
Cash and cash equivalents	Cash includes currency on hand and deposits held by financial institutions that can be added or withdrawn without limitations, such as demand deposits. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in values because of changes in interest rates.
Accounts and other receivables, net	Receivables from vendors or others. This amount should be reported net of an allowance for uncollectible accounts.
Prepaid expenses	Payments in advance for such items as insurance, subscriptions and rent.
Contributions receivable, net	Unconditional promises to give that are due in future periods should be recorded as a receivable. These receivables should be reported net of an allowance for uncollectible accounts and net of a discount. The discount is derived by determining the present value of the unconditional promises to give measured using a risk-free rate of return appropriate for the expected term of the promise to give. Details of the discount should be disclosed in the notes to the financial statements.
Investments	Funds held in fixed and equity securities, including bonds, stocks, notes with maturities greater than 90 days. Details on the types of securities held should be disclosed in the notes to the financial statements.

Assets	Description
Beneficial interest in remainder trust	Charitable remainders trusts received by the Foundation during the lifetime of the grantor, and that carry with them the obligation to pay the grantor an annuity during his or her lifetime. Upon death of the grantor, the trust is terminated, and the remaining value becomes the property of the Foundation.
Remainder interest in real property	Similar to the above, except the interest is in real property.
Capital assets, net	Assets with a useful life of one year and a cost of value at the time of receipt of $1,000 or more. Assets should be capitalized based on the Foundation's policy.
Accumulated depreciation	Cumulative depreciation pertaining to a group of assets from the time the asset was placed in service up to the date of the financial statement.
Other assets	Assets that do not fit into the other categories above.

Liabilities	Description
Accounts payable	Balances owed to others for goods, supplies or services.
Accrued expenses	Expenses incurred but not paid at the financial statement date.
Annuities payable	Split interest agreements are contributions from donors in exchange for a promise by the Foundation to pay a fixed amount to the donor or other individual over a specified period of time and are recognized at fair value when received. The annuity payable represents the present value of future cash payments expected to be paid. Also refer to Beneficial Interest in Remainder Trusts above.
Due to affiliates	Funds due to entities affiliated with the Foundation including, auxiliary enterprise corporations, associations, childcare centers, the supported college and the University.
Deposits held in trust for others	Funds held by the Foundation on behalf of other unaffiliated third parties.
Deferred revenue	Payments received before the close of the period, but not yet earned.
Refundable matching grants	Grants received by the Foundation which are required to be returned if the Foundation does not meet the matching stipulations set forth in the grant requirements.

Net Assets	Description
Unrestricted	In the absence of donor restriction, net assets should be classified as unrestricted. Self-imposed limitation on the use should be disclosed on the face of the financials or in the footnotes.
Temporarily Restricted	Net assets resulting from contributions and other inflows of assets, whose use is limited by restrictions that expire either by the passage of time or by fulfillment of the restriction. When stipulations end or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities.
Permanently Restricted	Net assets resulting from contributions whose use is limited by donor imposed restrictions.

Statement of Activities

A statement of activities reports the amount of the change in net assets for the period. The statement should report the amount of changes in permanently restricted net assets, temporarily restricted net assets, unrestricted net assets and total net assets.

Revenue

The determination of the net asset class in which revenues, gains and losses should be reported should be based solely on the presence or kind of donor imposed restrictions. In the absence of such restriction, revenues should be reported as increases in unrestricted net assets. Gains should be reported as increases and losses as decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Expiration of donor-imposed restrictions that simultaneously increase one asset class and decrease another (reclassifications) should be reported as separate line items.

Below is a list of the revenue categories that the Foundations should use in their audited financial statements:

Revenues	Description
Grants	Grants represent an exchange transaction or a reciprocal transfer in which each party to the transaction receives and gives up resources of commensurate value. Exchange transactions are always classified as unrestricted because the resources are not subject to donor restrictions.
Gifts in kind	Gifts in-kind include noncash items or services received, for example: (i) fixed assets; (ii) supplies; (iii) collections such as artwork; (iv) contributed services; and (v) use of facilities. The value of these items should be recorded as revenue and expense (allocated to its functional purpose) in the statement of activities. See further details below.

Revenues	Description
Gifts and contributions	A contribution is a transfer of assets in which the donor does not expect to receive any value in return. Unconditional nonreciprocal contributions received without donor-imposed restrictions should be reported as unrestricted support that increases unrestricted net assets. Contributions received with donor-imposed restrictions should be reported as restricted support that increases permanently or temporarily restricted net assets, depending on the nature of the restricted.
Special events	Revenues derived from special fundraising events such as galas, golf outings, annual dinners, auctions and the like. The Foundation may report the gross revenues with the cost of direct benefits to donors displayed either (1) as a line item deducted from the special event revenues, or (2) in the same section in the statement of activities as expenses are reported as either a separate line item or allocated among the various functional expense categories.
Investment income	Includes dividends and interest, and should be recognized when earned and reported as increase in unrestricted net assets unless donor stipulations restrict the use of income. For example, a donor may stipulate that a gift be invested in perpetuity, with income used to support a specific program. The initial gift created a permanently restricted net asset; the investment income is temporarily restricted for support of the donor specified program.
Net realized and unrealized gain (loss) on investments	Unrealized gains and losses arise from changes in the fair value of investments, exclusive of dividends and interest income recognized but not yet received. These should be recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period. Realized gains and losses that arise from selling or otherwise disposing of investments should be reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law. Realized and unrealized losses may be netted against realized and unrealized gains on the statement of activities.
Change in the value of split interest agreements	Split interest agreements are recognized at fair value when received. Changes to the value of these agreements are recognized separately in this line item.
Other income	Income that does not fit into the other categories.
Net assets released from restrictions	When stipulations end or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities.

Expenses

Expenses should be reported as decreases in unrestricted net assets and should be displayed in the following categories:

Expenses	**Description**
College support	Funds used to support approved college programs or activities.
Scholarships and awards	Expenditures for scholarships and awards in the form of grants to students resulting from selection by the Foundation board or other designated individuals.
Fundraising	Expenditures associated with fundraising activities, including both personnel and other than personnel costs.
Management and general	Expenditures for central executive-level activities concerning management and long-range planning for the Foundation, fiscal operations, general administration and logistical services.

Statement of Cash Flows

Each Foundation should also produce a Statement of Cash Flows using the indirect method as part of its annual audited financial statements.

Notes to Financial Statements

Each Foundation should disclose the following in the notes to its financial statements:

- Contributions receivable - A schedule of unconditional promises to give (showing the total amount separated into amounts receivable in less than one year, in one to five years, and in more than five years) and the related allowance for uncollectible promises receivable arising from subsequent decreases due to changes in the quantity or nature of assets expected to be received and the unamortized discount. The note should also disclose the discount rates utilized;
- The Foundation's policy on split interest agreements and charitable remainder trusts;
- Investments should be broken down by security type, including but not limited to certificates of deposits, mutual funds (bond and equity), equities, corporate bonds, municipal bonds, mortgage backed securities, U.S. Treasury bills and notes, U.S. Government bonds, University's investment pool, international bonds, partnership agreements and other alternative investments; and
- Temporarily and Permanently Restricted Net Assets should be broken out by category of restriction. For example, student education and welfare, facility renovations, obligations under charitable remainder trusts, etc.

Split Interest Agreements

Each Foundation should record and report irrevocable split interest agreements. Assets received under and held under the agreements are recorded at their fair value. The contribution portion of a split interest agreement should be reported as revenue in the Statement of Activity only when the Foundation has an unconditional right to receive benefits under the agreement. Liabilities incurred in the exchange portion of a split interest agreement, usually in an agreement to pay an annuity to the donor, also are recognized.

Refer to the AICPA Audit and Accounting Guide "Not-for-profit Organizations", for guidance and illustrations for the five widely used types of split interest agreements--charitable lead trusts, perpetual trust held by third parties, charitable remainder trusts, charitable gift annuities, and pooled (life) income funds.

Charitable Gift Annuities
Each Foundation should recognize the annuity agreement in the period in which the contract/gift is executed or received. The portfolio of equity (stock) and bond investments should be recognized at fair value when received and an annuity payment liability recognized at the present value of future cash flows expected to be paid to the donee or his or her estate. Any difference between the present value of the future cash flow obligation is recognized as unrestricted gift revenue since any remaining assets are available for the foundation's unrestricted use.

In subsequent years, payments reduce the annuity liability. Adjustments to the annuity liability reflect the amortization of the discount and any changes in the estimated value of the liability. At the maturity of the contract, the annuity liability should be closed to the unrestricted net assets.

Gifts In-Kind
Chief among gifts-in-kind received by Foundations are [i] fixed assets, [ii] supplies, [iii] collection items such as art work, [iv] contributed services, and [v] use of facilities.

Fixed Assets - The value of contributed fixed assets is usually determined by appraisal or the amount that the Foundation would normally have to pay for similar items.

Supplies - the value of donated supplies is recorded as gift revenue in the unrestricted net assets if the donor has not stipulated its use. Gifted supplies are recorded at the amount that the Foundation would normally have to pay for the items.

Artwork - the contribution of artwork is not recorded if certain criteria are met and certain financial statement note disclosures are made. Instead, the contribution is added to the collection inventory for insurance purposes. The criteria that must be met so as not to record the collection gifts include the following: (i) the item is held for public exhibition, education or research purposes, (ii) the item is protected, cared for and preserved, and (iii) the item is subject to an institutional policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Volunteers - the value of the contributed service from the volunteer should be recorded as a contribution and a like amount as an expense in the unrestricted net assets. The value of contributed services is recognized only if the following criteria are met: (i) the services create or enhance nonfinancial assets and (ii) the services [a] require a specialized skill, [b] are provided by persons possessing those skills and [c] would typically have to be purchased if not provided by donation. The value of contributed services is typically determined by the rate per hour or annual salary that would be paid if the services were purchased.

Facilities - if a Foundation is given the use of a building or other facilities either at cost or at a substantially reduced cost, the value of the gift should be recognized in the financial statements as both gift revenue and an expense in the unrestricted net assets. The value to be used should be the fair rental value of facilities that the Foundation would otherwise acquire if the contributed facilities were not available.

Services - the value of donated services should be recognized as both a contribution and an expense in the unrestricted net assets. The expense would be reported in the program/function category appropriate to the nature and purpose of the services provided.

The Foundation should develop policies and procedures to ensure that appropriate documentation is available to substantiate any recognitions and for subsequent audit review.