



## **Guidelines on Disbursement of Foundation Funds**

### **INTRODUCTION AND PURPOSE**

Northern Arizona University Foundation Inc., (Foundation) is the central fundraising organization that promotes, accepts, and manages charitable gifts given for the benefit of Northern Arizona University (NAU). Overseen by an independent board of directors and managed by a professional staff, the Foundation administers gifts in accordance with donors' wishes and in accordance with the fiduciary responsibility inherent in the acceptance of gift funds.

The Foundation recognizes the importance of charitable gifts to enhance and provide extramural support to NAU. Additionally, the Foundation recognizes that the offices, colleges, departments, and programs of NAU have varied needs and priorities for the uses of charitable gifts. This policy is designed to provide flexibility while at the same time ensuring the Foundation honors its obligations to its donors, fulfills its fiduciary responsibilities, and maintains the integrity of its tax-exempt status.

### **PRUDENT MANAGEMENT OF GIFTED FUNDS**

In spending donor given funds from the Foundation, the Foundation and University believe that accountable officers, which includes fund owners and fund administrators, must have sufficient latitude to accomplish the mission of their organizational unit and that of NAU. The Foundation and University also embrace a set of values that is in keeping with a sense of prudence and with the leadership role that NAU inevitably plays within the larger society. To that end, the Foundation and NAU expect that accountable officers will exercise good judgment and a high degree of ethics in making expenditure decisions, taking into considerations such factors as

- Mission and general appropriateness
- Purpose and clear justification
- Sensitivity to the values of the Foundation and NAU
- Sensitivity to donor interest and intent
- The current academic, social, ethical, and financial environment of NAU
- The effect that certain types of expenditures may have upon the public image of the Foundation and NAU
- Consideration of the types and amount of funds available to various units within the Foundation and NAU.

Each accountable officer must be sensitive and alert to expenditures that may be perceived as not meeting the tests of public scrutiny as to appropriateness. Such tests shall include:

- Does the expenditure meet the restrictions imposed by the donor?
- Does the expenditure enhance the programs, image, and community status of NAU and/or the Foundation?

- Does the expenditure have a potentially negative public opinion impact on NAU and/or the Foundation?
- If there is a potentially negative impact, do the benefits far outweigh the potentially negative consequences?
- What would this look like as a headline in the newspaper?
- Would you be comfortable, as a donor yourself, with the expenditure? (Can you look a donor in the eye and justify the expenditure?)

## **DEFINITION OF FUNDS**

### **A. Restricted Funds**

For the purpose of this policy, “restricted funds” are defined as those gifts to funds which carry specific use restrictions imposed by the donor. Restricted gifts must be expended according to the terms of applicable gift agreements and in accordance with this policy.

Gifts which are given to a specific college, department, program, or purpose at NAU are classified as “restricted gifts” even though the gift may be for the general or “discretionary” use of the specified college or department. While “discretionary” indicates that expenditures would be regulated by the accountable officer’s own choice, certain parameters and guidelines are provided by this policy in an effort to ensure prudent use of contributed funds.

The Foundation is responsible for defining donor restrictions before the gift is received and does this in coordination with appropriate University personnel. The Foundation, in conjunction with the requesting department, ensures that the donor’s intent for which the funds are to be spent is honored. Donors’ documented restrictions, as agreed upon by the Foundation, NAU, and the donor, will take precedence over the guidelines for disbursement of funds outlined in Section V. below.

### **B. Unrestricted Funds**

For the purpose of this policy, “unrestricted funds” are defined as gifts received by the Foundation without specific donor stipulations with regard to use. Expenditures allowed from this category of gifts will be limited by applicable laws, regulations, and by this policy.

## **EXPENDITURE AUTHORIZATION**

All existing Foundation internal controls will apply to disbursements made from gift funds. Requests must be submitted on the [Foundation’s Check Request](#), and original itemized receipts or appropriate expenditure documentation must be attached. The form must be approved (original signature or digitally secured signature) by the authorized University representative(s). Authorized signatures are position-based within the relevant department; Director-level or Dean-level and above are authorized to sign reimbursement requests<sup>1</sup>.

### **A. Direct Payments**

Completed Foundation Check Request which includes:

1. Payee’s name
2. Foundation account name and number(s) to be charged
3. Description of the business purpose of the expense
4. List of attendees if for entertainment/meetings and the business purpose

---

<sup>1</sup> Exceptions may be noted in collaboration with the College/Unit financial oversight office.

5. Authorized signature—must be original signatures of NAU official responsible for the account
6. Fully completed and signed [Form W9](#) for Payee when:
  - a. The payee is not already a vendor setup for payment and is NOT a current employee of NAU. This includes, but is not limited to, students, guest speakers/performers, businesses, student groups, and/or non-profits.
  - b. The payee is a current employee of NAU performing services outside their normal scope of work. For example, Dr. John Doe is a professor but is performing as a musician with his band at an event.
  - c. W9 must be the [most current IRS version](#) and must include either an actual or digitally secured signature (cursive font does not qualify).

## **B. NAU Local Account Reimbursement Request**

Completed Foundation Check Request which includes:

1. University Department/Unit and fund to be reimbursed.
2. Foundation account number(s) to be charged.
3. Description of the business purpose of the expense.
4. A University Advantage or Budget Objects report showing the local account to be reimbursed with detail of the expense in order to verify that the payment was made.
5. Authorized signature—must be original or digitally secured signatures of NAU official responsible for the account.
6. Be sure the revenue line 533910 is active in your budget.
7. All local account reimbursements must be submitted on separate check request forms.

## **GENERAL EXPENDITURE CATEGORIES**

In order to provide constructive guidance to NAU and the Foundation, faculty, staff, and administration, the following are various general expenditure categories and descriptions of what is and is not allowable in those categories. While this list encompasses the majority of expenditures from the Foundation funds, it is by no means an all-inclusive list of all expenses paid. In all cases, prudent judgment must be followed by those who are charged with the responsibility of administering and authorizing expenditures from their respective Foundation funds.

### **A. Travel**

All travel expenditures must go through the normal department as outlined by the current NAU policy. In general, all reasonable and necessary travel expenses for transportation, meals, lodging, and other related incidental costs are reimbursable to NAU when incurred in the conduct of University and/or Foundation business. For Foundation related entertainment, the actual cost of the meal will be reimbursed. Expenses related to flight upgrades for flight times in excess of 10 hours are allowable for university executives with prior approval of the Foundation CEO or CFO.

### **B. Entertainment/Hosting**

In general, all reasonable and necessary entertainment expenses are allowable when related to entertaining donors, prospective donors, prospective employees, or other guests of NAU and/or Foundation if directly related to or associated with the active conduct of the Foundation or University business. To qualify under the “directly related to or associated with” requirement, business must be conducted before, during, or after the entertainment, and external guests (as described above) must be the primary reason for the

entertainment. Expenses may include meals, beverages, and athletic, or other social event tickets. In all cases, a reasonable number of University and/or Foundation staff should accompany the guest(s) entertained.

**Spousal/Partner Meals:** Expenditures for spousal/partner meals are not allowed unless including the spouse/partner furthers the goal of building relationships and is incurred in the conduct of official University and/or Foundation business. No reimbursement will be paid if the expense is primarily for personal or social reasons.

Example: You entertain a donor or visiting faculty member. The guest's spouse/partner joins you because it is impractical to entertain without including the spouse/partner. The guest's spouse/partner is allowable because it is an ordinary and necessary business expense. If your spouse/partner joins the party because the guest's spouse is present, the cost of the entertainment for your spouse/partner is also an ordinary and necessary business expense.

### **C. Departmental/College Employee Functions**

#### **1. Social Functions**

Employee functions must be organized for a specific Foundation and/or NAU-related business. A legitimate purpose may be to recognize group work performance or to improve employee morale. The amount for food/beverages is suggested not to exceed a cost of \$50 per employee.

#### **2. Retirement Functions**

A modest retirement celebration may be paid if held for employee(s) retiring from service at Northern Arizona University. This includes a party for an individual who is simply leaving for other employment. It is suggested the cost not exceed \$300. It is also suggested that departments and units coordinate if there are to be multiple areas wishing to recognize the individual.

#### **3. Employee Relations Functions**

Foundation funds may be used for employee relations related events. Expenses may be made for payments to hotel/restaurants for meeting rooms or facility use, for actual food and beverages consumed, and for catering, gratuities, and supplies.

### **D. Student Scholarships/Awards**

Student scholarship payments shall be made through the Student Financial Aid Office of NAU to ensure that a student's eligibility for financial aid is not jeopardized.

Student award payments shall be processed through the Foundation per the above referenced disbursement guidelines. Any award payments made to International students must be processed by NAU and can later be reimbursed via Foundation funds.

### **E. Faculty/Staff Awards**

Awards made in recognition of superior performance by faculty/staff through University programs are allowable. Such awards must be made by a clearly defined selection process. Payments will not be made directly to the employee but rather through an NAU account as reimbursement or to pay for an award, conference, or similar recognition.

### **F. Gifts**

Flowers, gifts, and charitable gifts in lieu of flowers, costing nominal amounts, may be purchased for donors, prospective donors, volunteers, a death in the immediate family or special circumstances of an employee, or other supporters of NAU. All such

expenditures must be limited by the principle of furthering the mission of NAU and must be given in the name of NAU.

- The suggested limit for flowers/gifts/tokens is \$100.
- The suggested limit for retirement gifts is \$300.

Gift cards/certificates purchased for employees are allowed but IRS regulations consider this a taxable event. The full name and employee number of the individual must be provided. This amount will be forwarded to the NAU Payroll department by the Foundation and included in the employee paycheck as taxable income. Please include the local account number to charge the ERE to.

Gift cards/certificates reimbursements for students: the payment information will be forwarded to financial aid and could affect a student's financial aid. Please include the student's name and ID number. The IRS also considers this a taxable event to the student and a W9 will need to be completed.

If the above information is not submitted with the check request the Foundation will return the request to the submitting department.

#### **G. Memberships**

Institutional membership dues for departments, colleges, and NAU Foundation are allowed. Individual professional memberships are allowable only if the membership is clearly related to or a requirement of one's position at NAU or Foundation and if a benefit is derived by either of the organizations as a result of that membership or attendance.

Country club, travel club, or service club dues are allowable only if deemed important in accomplishing that person's duties for NAU or Foundation. These memberships will be reviewed on a case-by-case basis with recommendations from the President of NAU.

#### **H. Salaries/Wage Payments to Employees of University**

No direct payment of salaries or wages will be made to faculty, staff, students, and/or other full or part-time employees of NAU. Such payment to employees will be processed through NAU payroll office. Reimbursement of a University local account is allowable.

#### **I. Honoraria, Consulting Fees, and Contracted Services**

Payment of an honorarium, consulting fee, or contract for services for a non-employee is reimbursable to NAU.

#### **J. Equipment and Furniture Purchases**

Equipment is required to be purchased through NAU purchasing system. This ensures that NAU has an immediate record for asset management and insurance coverage. The Foundation will reimburse a University account upon presentation of purchase documentation.

#### **K. Conferences**

Conference hosting activity is processed through the University unless approval is granted by the Foundation in advance.

**L. Charitable Contributions**

Charitable contributions are allowed provided that attendance or gift is related directly to the mission of NAU or department.

**M. Loans**

Loans are allowable only from funds that are specifically designated for such purpose. Responsibility for all tracking of the loans and repayment is the duty of the department.

**N. Fines for Parking or Traffic Violations**

Fines for parking or traffic violations or for any other illegal actions are not allowable.

**O. Auto Repair**

Expenses for auto repair, oil changes, or general maintenance on courtesy autos is not allowed.

**P. Alcohol**

Foundation funds may be used to reimburse University employees who purchase alcohol for a University sanctioned event or entertainment. Prudent judgment is expected in the selection of beverages as it relates to cost.

**Q. Cell Phone**

NAU has a [cell phone reimbursement policy](#). Foundation funds cannot be used to reimburse cell phone purchases or monthly fees.

**R. Unusual Expenditures**

Proposed uses of Foundation funds not related to any of the above categories, or relating to *unusual circumstances*, must be approved by the CEO of the Foundation before incurring the expense.

**S. Expense Reimbursements**

Individuals may procure **goods** for \$1,000 or less directly from a vendor and request reimbursement if adequate documentation of the purchase is provided. Any purchases for goods that exceed \$1,000 must be paid directly to the vendor by the Foundation by either check or Foundation credit card.

**Services**, in any amount, must be paid to the vendor directly by the NAU Foundation. Payments that constitute compensation for services rendered should not be paid for by the individual directly. Compensation includes, but may not be limited to, payments for services performed by employees or independent contractors/consultants, payments for student support, and payment of expenses incurred by an employee or independent contractor/consultant.

Any exceptions to the above referenced policy will require prior authorization and approval from the NAU Foundation. Failure to receive approval prior to the expenditure event may result in non-reimbursement.

Effective: March 1, 2008

Revised: July 2010; July 2011; August 2015; October 2023