


COMPTROLLER POLICY MANUAL

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	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: NAU Component Unit Affiliates	Effective date: 01/01/2000
	Revision date: 02/05/2016

PURPOSE

To provide guidance for NAU Affiliated Entity and Component Units.

SOURCE

Arizona Board of Regents Guidelines “Governing the Relationship between Component Unit Affiliates and Universities under the Jurisdiction of the Arizona Board of Regents.”

BACKGROUND

Government Accounting Standards Board Statement No. 39 (GASB 39) as amended by Government Accounting Standards Board Statement No. 61 (GASB 61) require that certain nongovernmental entities affiliated with the universities be treated as “component units” for financial reporting purposes. These may include alumni associations, development foundations and other organizations that raise and hold significant economic resources for the direct benefit of the universities (“Component Unit Affiliates”). Per Guidelines established by the Arizona Board of Regents, the University has adopted a policy regarding the recognition by the University of such Entities or organizations. While recognizing that not all Component Unit Affiliates will necessarily engage in all of the activities governed by the following principles, such policy shall at a minimum include provisions that are consistent with these principles.

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CMP 401-07: NAU Component Unit Affiliates

NAU Recognition of Affiliated Entity

Separate Legal Entity

A Component Unit Affiliate is not the agent of the university and shall not represent or imply that it operates under an agency, partnership, or joint venture relationship with the university. A Component Unit Affiliate must take appropriate steps in dealing with third parties to ensure that such parties understand that the organization is a separate legal entity from the university. Such steps shall include, but not necessarily be limited to, separate business cards, letterhead, appropriate identification of the organization when answering the telephone, telephone directory listings, and signs on offices and buildings.

In order to be recognized by the university as a Component Unit Affiliate, the organization must:

- Be legally separate from the Arizona Board of Regents and the university;

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- Be exempt from federal and state income taxation unless otherwise agreed;
- Have governing documents that provide that, upon dissolution, all of the organization’s assets shall be distributed to the university or to another tax exempt organization having purposes substantially similar to those of the dissolved organization;
- Hold economic resources, and conduct activities, entirely or almost entirely for the direct benefit of the university;
- Formally agree to abide by the university’s current and future policies regarding Component Unit Affiliates; and
- Unless otherwise agreed by NAU, the affiliated entity must be organized and maintained as an Arizona nonprofit corporation.

Tax Exempt Status

Unless otherwise agreed upon by NAU, the affiliated entity must apply for, receive, and maintain both federal and state income tax-exempt status.

Periodic Review

The university may periodically review the status of each recognized Component Unit Affiliate to ensure that the organization is operating in accordance with the university’s policy regarding Component Unit Affiliates.

Budgets and annual audit

A Component Unit Affiliate must follow sound fiscal and business practices, and in this connection must:

- Be audited annually by an independent CPA firm approved by the university. NAU is required to include certain financially related organizations in its annual audited financial report. In order for NAU to assure timely issuance of its financial report, the completed, audited financial statements from each related organization must be delivered to the NAU Comptroller’s Office by late August or early September of each year and by a date that is set each year by the NAU Comptroller’s Office. Accordingly, the affiliated entity is required to deliver its completed, audited financial statements to the NAU Comptroller’s Office on or before the date specified by that office for the respective year.
- Operate in accordance with an annual budget appropriate for its scope of operations;
- Ensure that all compensation paid to officers and directors is approved by its board of directors or

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other governing body.

NAU Employees Opening Accounts at the NAU Foundation or other Affiliated Organization, Depositing Funds to the Accounts, and Making Disbursements from the Accounts

If such accounts are opened by NAU employees on behalf of NAU or an NAU department, and NAU employees wish to make disbursements from such accounts with an affiliated entity, the affiliated entity needs to establish written procedures for the opening of any such accounts and the making of disbursements from the accounts. The procedures need to be consistent with the procedures established by the NAU Foundation and approved by the NAU Comptroller’s Office and Budget Office. Such procedures are available from the NAU Foundation or NAU Comptroller’s Office.

NAU and the affiliated entity will follow the policy and procedures in [CMP 303](#), “Gift Deposits,” when an NAU employee wishes to deposit funds to an account at the NAU Foundation. NAU and the affiliated entity will follow [CMP 401-04](#) ”NAU Foundation Transactions” for any expenditure or reimbursement requests.

Gift Restrictions

In either its university policy or in its affiliation agreements, the university shall require Component Unit Affiliates to comply with provisions regarding approval of restrictive terms and conditions attached to gifts. NAU and the affiliated entity will follow the policy and procedures in [CMP 303](#), “Gift Deposits,” when an NAU employee wishes to deposit funds to an account at the NAU Foundation.

Indemnification

A Component Unit Affiliate must agree to indemnify the university from any damages or liabilities that the university may incur as the result of the organization’s actions or omissions.


Payments to University employees

The affiliated entity may not make any payments to or for the benefit of an NAU employee unless approved in advance by NAU or in accordance with NAUF Guidelines for Disbursements. The affiliated entity may reimburse an NAU employee for expenses incurred in activities on behalf of the affiliated entity. The procedures for such NAU approval, for such reimbursement, and for any other matters relating to payments by the affiliated entity to an NAU employee are provided in NAUF Guidelines for Disbursements.

Sound business practices

All transactions between a Component Unit Affiliate and the university shall meet the normal tests for ordinary business transactions, including proper documentation and approvals.

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Transactions between the Affiliated Entity and Its Directors, Officers, and Employees

All transactions between the affiliated entity and its directors, officers and employees must be approved by the affiliated entity's board of directors or other governing body.

Affiliated Entity Scholarships

No affiliated entity scholarship or fellowship award may be made to any relative of a person participating in the selection process.

Courses and Seminars

No Component Unit Affiliate shall offer any course or seminar in which the name of the university is used without first obtaining the university's permission.

Insurance and Liability

A Component Unit Affiliate must maintain general liability insurance, property casualty insurance, commercial/business automobile liability insurance, and directors' and officers' liability insurance in no less than an amount deemed reasonable by the organization's board of directors or other governing board, unless the university agrees that such insurance is not needed.

Conflict of Interest

A Component Unit Affiliate must have in place conflicts of interest policies covering relationships both between the organization and its directors, officers and employees and also between such directors, officers and employees and persons doing business with the organization.

Bonding of Officers and Staff of Component Unit Affiliates

Officers and staff members of a Component Unit Affiliate must be bonded in amounts determined to be appropriate by the Component Unit Affiliate's governing body.

Reporting Requirements to University

A Component Unit Affiliate must provide the university with the following items:

- Annually a copy of the organization's Form 990, except any portion that may be exempt from disclosure under federal statute or Internal Revenue Service regulations (public availability of the Form 990 on the internet shall be deemed to satisfy this requirement);
- Annually a copy of the audited financial statements and such other documents as the university may require from time to time and on a time table as determined by the university; and

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- Copies of any amendments to the organization’s articles of incorporation or bylaws.

Rights, benefits and services to Component Unit Affiliates

An organization that is recognized by the university as a Component Unit Affiliate may be eligible to receive:

- Use of university space, equipment, and administrative/financial services and staff in the performance of the organization’s functions;
- The right to use the university’s name or logo; and
- Such other rights, services or benefits that the university may authorize. All such arrangements shall be documented by written agreement between the university and the Component Unit Affiliate.

Other Affiliation Arrangements

Nothing in this policy restricts the authority of a university to enter into affiliation arrangements with outside organizations that are not considered “component units” under GASB 39, on such terms as the university deems appropriate.

Diversity

Each university shall strongly encourage diversity both to represent the broader community constituents as well as diverse subject matter expertise as may be appropriate to the management of the entity.

Lobbying and Political Activities

The affiliated entity may not engage in lobbying or any other political activity, except to the extent agreed by NAU. In any event, all lobbying and political activity must be in compliance with applicable law.

NAU Recognized of Affiliated Entities (January 2010)

Northern Arizona University Foundation
Contact: Cheryl Heitz (928) 523-3711

Northern Arizona Capital Facilities Finance Corporation
Contact: Wendy Swartz (928) 523-6081