MINNESOTA STATE UNIVERSITY, MANKATO FOUNDATION, INC.
OPERATING POLICIES AND PROCEDURES

Approved by Foundation Board action Jan. 24, 2014.

Revised September 30, 2016

Revised, January 20, 2017

Revised May 17, 2017

Revised February 2, 2018

Revised May 18, 2018

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A. Introduction. The Minnesota State University, Mankato Foundation (MSUF) promotes, accepts, and manages private gifts to Minnesota State University, Mankato (MSU). Overseen by a board of directors, the Foundation treats all gifts in a business-like manner in accordance with the donor's wishes within applicable state laws.

In consideration of the Foundation's role in raising funds for the benefit of MSU, the University provides a number of administrative services, including gift processing, accounting, and records management. Thus, when gifts are received by MSU colleges or units, they are forwarded to MSU's Development Office, where acceptance and acknowledgment are initiated on behalf of the University.

To ensure the observance of donor designations and restrictions in the use of their gifts, separate funds are established within the University's accounting system. These funds are subject to the University's management, review, and audit procedures. Foundation accounts are not to be used as vehicles for the conduct of business which can be accommodated through the use of University accounts available for such business. The dean of the college or vice president/director of the unit administers the account or designates an account administrator in the department to which the gift is restricted. The Foundation Accountant must be notified when an account administrator is changed. Overall accountability for administration of the fund is the responsibility of the vice president/director/dean requesting its establishment. The administrator is responsible for disbursement of monies for the purpose(s) intended by the donor as set forth in a Charitable Gift Agreement document and in compliance with MSU/MSU Foundation expenditure policies.

This document is intended to assist the account administrator in understanding his or her role in administering gifts and in understanding the functions of the Foundation and the University in support of gift development and management.

B. Contacting Development Officers**.** MSU's development officers are available to provide assistance in any context concerning gifts. When MSU employees are contacted by a prospective donor, or when a new fund is to be established, a development officer should be contacted.

C. Fund Expenditure Guidelines. The criteria that determine the use of gift monies are: a) Minnesota State University, Mankato must benefit in a manner which fits its mission, and b) the use must fall within the donor's intent for the gift.

All expenditures must be approved by the vice president/director/dean responsible for administering the account or his/her authorized designee. The responsibility for accurate preparation and proper documentation of disbursement requests rests with the account administrator.

All disbursements made must have written justification suitable for auditing purposes. Periodic internal audits are performed to ensure compliance with and consistent application of these guidelines and procedures and to assure that donor intent is being followed.

D. Payment Procedures. Gift funds shall be expended through the use of standard Foundation forms and operating procedures (e.g. purchase requisitions/FD1400 or FD35, travel expense vouchers/FD2A, etc.).

When gift funds are used for the payment of salaries, wages, stipends, or personal services contracts; construction, repair, or alteration of facilities; or purchase of goods, services, or equipment, applicable State and University regulations pertaining to the expenditure of state funds for such purposes will be applied.

Claims for reimbursement must be accompanied by appropriate receipts or invoices as defined by MSU Business Office policies. Claims must be approved by the vice president/director/dean accountable for the gift fund.

E. Discretionary Funds Guidelines**.** The University and its colleges and programs typically receive unrestricted donations. When donors make such gifts, it is with the intent to help the University in its important work. Such donors also assign their trust that the University and its staff will use the gift in as appropriate and direct way as possible to support the educational program. Such gifts may be used for all MSU "common expenditure objects," including some purposes that state-appropriated or other public funds may not be used for because of various state and federal statutes and regulations. Unrestricted donations and the income derived therefrom are, like all other gift funds, subject to the limitation that they be used in the performance of official duties for purposes that advance the mission of the University.

Only gifts that carry no restriction or specific expression of donor intent that would limit their use, and the income derived therefrom, may be used for discretionary purposes. At MSU, discretionary funds are commonly named "dean's/director's funds," "excellence funds," or "development funds." Discretionary fund accounts may be established at the presidential, vice presidential, dean/director or department chair levels only.

F. Use of Discretionary Funds. Discretionary funds are intended to provide greater flexibility for the University and its colleges/programs and are used only for purposes that directly benefit the University in the attainment of its mission and goals. Discretionary funds may not be used for expenses of a purely personal nature, and any personal benefit must be clearly incidental to the primary purpose of benefiting the University.

G. Allowable Expenses**.** Within the parameters established by the above-stated general principles, the prudent judgment of University officers charged with the responsibility of administering discretionary funds will determine the allowable range of expenditures. The following are examples of permissible and impermissible expenditures:

1. Discretionary funds may be expended for all purposes for which public funds may be expended.
2. Discretionary funds may be expended for purposes that are determined to be:
   a. ordinary, reasonable, and necessary business expenses incurred in the conduct of the program for which the fund was officially-sponsored;
   b. social/cultivation activities that are documented with a "contact report" listing non-University guests in attendance (including reimbursement for alcoholic beverage purchases);
   c. hosting officially-sponsored business functions such as advisory board lunches;
   d. banquet liquor permits;
   e. catering and beverage expenses for University events;
   f. payment of prospective employees' spouses' travel when approved in advance by the appropriate vice president or dean;
   g. payment of admission charges to social or business events at which attendance is required or recommended as part of an employee's official duties;
   h. authorized awards approved by the President and given to University employees on behalf of the entire University community in recognition of meritorious service, etc.
   i. payment of sponsorship fees or other admission costs for other charitable organizations, where the President of Minnesota State University, Mankato determines it is important for university-wide public relations and community good will to have the University represented;

Discretionary funds may be used for all MSU "common expenditure objects" (i.e., salaries, wages, stipends, benefits, goods and services, travel, computing, equipment, scholarships, assistantships, awards, grants, telephone).

3. The underlying criteria for the use of all gift monies remain (a) MSU must benefit in a manner that fits its mission and (b) the use must fall within the donor's intent.

   a. For food and beverage purchases for activities involving only faculty, staff and students:
      i. Limit of $200. The purchase order should be signed by the responsible person on the account. Purchases can be made for any activity that fits the underlying criteria described above.
      ii. Any purchase of alcohol for University events requires prior approval from the President's Office (roster of attendees is to accompany Prior Authorization Form FD2).
   b. Plaques or other appropriate items to faculty and staff in recognition of outstanding achievement, retirement or distinguished service are reimbursable, but cannot exceed $75.00 per person.

Cash gifts and gift certificates for faculty and staff are not reimbursable. Cash awards to students must be awarded through the Financial Aid process.

4. The following purchases are not reimbursable under this policy:

    a. Alcoholic beverages are not included as a reimbursable expense item when attending working retreats.
    b. When an expense reimbursement has been paid from one source, such as an M&E account or activity account, another claim cannot be filed against a Foundation account to reimburse the portion that is over and above the maximum rates allowed by the established labor agreement or compensation plan.
    c. Discretionary funds may not be used for expenses of a personal nature. Examples of such expenses include cash gifts to University staff; payment of spouse's travel, meals, lodging, or other expenses when accompanying University employee, unless spouse's attendance has been determined to be necessary in the conduct of the University's business and has been approved in advance by the appropriate vice president or dean; expenses for which there is no documentation.
    d. Expense reimbursement to University Employees for non-cultivation events may not exceed the maximum amounts allowable under the employee's bargaining unit agreement or to Non-State Employees according to the Non-Managerial Unrepresented Employees Plan (217).
    e. Discretionary funds may not be used for individuals to participate in, or provide funds for, any political campaign (including the publication or distribution of statements) on behalf of any candidate for public office.
    f. Discretionary funds may not be used for support of other nonprofit or charitable groups unless the support is structured as from the University as a whole and where the President of the University has determined that the organization or event is important for University-wide public and community relations.

<u>H. Bereavement Flowers Procedure</u>. The Minnesota State University, Mankato Foundation will send flowers on behalf of the Foundation/University upon the passing of a member of the Purple & Gold Society (lifetime giving), Legacy Society (planned giving), or a current/former MSU Foundation Board member.

1. If the member lived within 100 miles of Mankato, the local florist who won the bid for floral services will manage the flowers using a pre-determined Maverick arrangement. If the member lived beyond 100 miles a similar flower arrangement will be sent using a national flower service.

2. Other requests will be considered for approval by the University President.

3. The ordering of flowers will be coordinated by the Director of Stewardship and Foundation Relations, in connection with the Office of the President.

4. The Director of Stewardship and Foundation Relations will manage the relationship with the local florist including any RFP process, and all payment arrangements.

I. Expenses Requiring Prior Authorization**.** Authorization for all events involving alcohol requires submitting an FD-2 Prior Authorization Form (see Appendix D) to the President and/or his/her designee a minimum of 3 days prior to the event. A description of the event, the vendor's name(s) and a list of specific items to be purchased from the vendor must be attached. A list of the participants, the estimated cost per participant and the overall estimated cost of the event must be stated. All costs related to the event must be listed.

After reviewing the special expense request, the President and/or his/her designee will return all copies of the authorization form to the person/department making the request. Forward the signed white copy to the Foundation Accountant (WA236).

Expenses incurred without prior authorization are the responsibility of the person(s) incurring the expense.

J. Foundation Recognition**.** It is expected that Minnesota State University, Mankato Foundation will be noted as the donor of funds for any of the aforementioned activities or events.

K. Fund Establishment and Administration: A development fund may be established for any worthwhile purpose that is within the University's mission and that meets the MSU/MSU Foundation minimum requirements for creation of a separate fund. A Charitable Gift Agreement signed by the donor, vice president or dean, designated account administrator, and secretary of the Foundation is used to formally establish the account and provide assurance that the funds will be used for the purposes intended. (See sample Charitable Gift Agreement worksheets Appendices A-C.) An approved copy of the fund agreement is distributed to the donor, the account administrator, dean/vice president, Development Office, and the Foundation Accountant.

The donor's wishes provide the most important criterion for determining the account's purpose. This purpose should be clearly stated at the time of establishment. When possible, this purpose should be stated in general terms, to permit the account administrator flexibility when using the monies. To reduce the number of gift accounts to be administered, new contributions can often be placed in existing accounts and still fulfill the intent of the donor. A transfer of funds does not qualify for fund establishment.

Three different types of accounts can be established: expendable, endowment, and quasi-endowment.

L. Expendable Accounts. An expendable fund for discretionary or restricted use within a college or department may be established with a minimum of $5,000 plus evidence of perpetual funding.

M. Endowed Accounts**.** An endowment is created by the establishment of a permanent fund, with a percentage of income used to annually carry out the donor's stated purposes. An endowment may be established by an outright gift, a pledge or on a deferred basis by planned arrangement through trusts or estates. Under the endowment payout policy, excess income over the amount paid out each year is retained in the endowment for enhanced growth.

Both restricted endowments donated to support specific programs or projects, and unrestricted endowments are essential in realizing MSU's educational purposes.

Each endowment consists of a principal account and an income account. Endowed gifts are placed in the principal account and held in perpetuity for investment. A proportion of income from the principal account is transferred to the income account on a yearly basis, which then becomes available for current or future use. The minimum required to establish an endowed account is to be approved by the Vice President for University Advancement/Assistant Secretary of the Foundation. The minimum amount to establish a named endowment can be found in the Policy on Naming Facilities, Positions and Programs (MSUF 6.8) appendix. If the fund is initiated with a first gift of less than the required minimum, then (1) the endowment must be funded within five years of opening the account; (2) a one-year grace period to complete funding of the endowment may be granted at any point within this timeframe; and (3) if the donor fails to reach the required endowment balance within the designated timeframe (including the one-year grace period), the account would be switched to a 'Current Use' fund and monies would be expended for the donor's established purpose until the fund is depleted. Once the fund reaches the minimum, it is assigned to a permanent endowment account and invested in the Foundation consolidated endowment. If the fund fails to attain the minimum level within five years, the college or department may expend it in part or full for purposes consistent with the wishes of the donor as identified in the fund agreement.

Donors are not permitted to have control over the investment of endowed funds or the use of the income beyond the initial restriction. A brochure outlining named endowment opportunities is available from the Foundation. The array of naming opportunities for private giving at MSU spans the entire spectrum of the University community. These investments offer a way to create a lasting tribute to the achievements and ideals of the individual in whose honor they are named and whose memory they perpetuate. Recognizing this, the University and the Foundation have developed guidelines for naming endowments, programs, buildings, and places.

N. Investment of Endowed Accounts. The Board of Directors of the Foundation oversees the management of the institution's endowed funds. They have established an investment committee responsible for formulating policies and procedures that assure optimum prudent investment opportunities for all endowments and quasi-endowments. A copy of the investment policy is available from the Office of the Vice President for University Advancement upon request. The committee's functions include selecting and evaluating professional investment advisors to manage the assets. It also monitors external management and transaction fees along with overall investment performance and results.

The Investment Committee reviews and recommends distribution policies at least annually. Currently the policy is to distribute 5 percent of total market value to departments, and a distribution of 2 percent of total market value is allocated by the University for management and advancement activities, for a total distribution of 7 percent. Distributions are limited to funds in excess of original principal value. Earnings above 7 percent are added to the fund's principal account. This policy provides a hedge against inflation by ensuring continuous growth of each fund, yet a predictable annual amount for expenditure that facilitates departmental planning.

O. Quasi-Endowment Accounts. At the request of a college or department, expendable gifts totaling $10,000 or higher may be invested within the Foundation consolidated endowment on a temporary or permanent basis. The principal of a quasi-endowment fund must be held in the consolidated endowment for a minimum of one year; hereafter, the principal and any unexpended growth may be withdrawn. The withdrawal(s) may be in full or in part, depending on the wording of the charitable gift agreement, or in $5,000 increments, upon 15 days' notice by the account administrator. The Investment Committee oversees the management of quasi-endowment assets, and the same policies are employed as pertain to endowed funds.

P. Scholarship and Assistantship Guidelines. Scholarships and Assistantships are funds that support the education of University students at the undergraduate and graduate levels. They are awarded according to criteria established by the donor. Some scholarships and assistantships are endowed; others are supported by annual donations. It is important that the terms of an endowed scholarship fund embody language providing that the income may be awarded to one or more recipients. It should be understood that the amount required for an endowed scholarship fund is not related solely to the tuition rate; the language of a scholarship fund should permit its use for other important forms of financial aid. A constant effort should be made to keep the scholarship guidelines flexible to alleviate any potential difficulties that would make it impossible to administer the scholarship in any one year.

To preserve the tax benefits to individual giving scholarships, donors are not allowed to choose recipients unless the University provides the donor(s) with an acceptable list of scholarship recipients.

Under current interpretations of discrimination laws (Title VI of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972), the University and the Foundation are permitted to accept gifts restricted to one sex so long as unrestricted funds (or funds restricted to students of another sex) are available from other sources to balance out funds so restricted. Gifts also may be accepted for scholarships to promote campus diversity.

Scholarship recipients are encouraged to communicate appreciation to donor(s) of scholarships.

Revised May 18, 2018