

**California State University, Los Angeles (CSULA) Foundation
Policies and Procedures**

Subject: Financial Policy

Approved: January 24, 2008

Revised: January 26, 2012

April 30, 2015

Responsibilities and procedures supporting these policies are outlined in the Agreement between the Board of Trustees of the California State University (“CSU”), and through California State University, Los Angeles (“University”) and the CSULA Foundation (“Foundation”) and in the procedural documents of the office of Business Financial Services (“BFS”). The Foundation financial policies shall be consistent with the University Development Policy and Procedures.

I. BUDGETING

1. The Foundation will develop a fiscal year Annual Budget which will be officially adopted by the Foundation Board of Trustees at the recommendation of the Investment and Finance Committee.
2. Program Budgets within the Foundation are approved by the Executive Director and included in the annual budget adopted by the Foundation Board of Trustees.
3. Any compensation provided to a Trustee will be included as independent line-items in the annual budget adopted by the Foundation Board of Trustees.
4. The budget shall be submitted to the Treasurer of the Foundation for approval and then sent to the President of the University for approval.
5. The budget will be included in the Foundation’s financial report.

II. ACCOUNTING

1. The Foundation will employ the following bases for accounting:
 - 1.1 Accrual basis in accordance with generally accepted accounting principles for not-for-profit organizations. Further definitions of financial policy contained herein are intended to highlight generally accepted accounting principles; nothing contained herein shall be construed to supersede generally accepted accounting principles.
 - 1.2 The Foundation will utilize the corporate fiscal year that is July 1 through June 30.

2. Investments and Donated Real Estate

- 2.1 Investments and donated real estate shall be recorded under the appropriate category on the balance sheet, i.e. unrestricted, restricted, endowment, etc.
- 2.2 Donated investments and real estate should be valued at fair market value at the time of the donation. An appraisal shall be performed whenever a gift of real property or hard-to-value assets over \$5,000 is received.
- 2.3 Purchased investments or real estate should be valued at cost.
- 2.4 Gain or loss on assets will be recognized when realized.

3. Personal Property and Equipment

- 3.1 Furnishings and equipment should be inventoried and become the exclusive property of the University.

4. Pledges

- 4.1 All pledges should be recorded on both the statement of revenue and expense, and on the balance sheet.
- 4.2 Pledges shall be reported as a separate account under revenues from fundraising.
- 4.3 Pledges to be collected in the future or to support future years shall be recorded as deferred support.
- 4.4 Pledges that are recorded must be documented.
- 4.5 A provision for uncollectible pledges should be: 1) donor has requested that pledge will not be honored; 2) donor has moved and development office is unable to locate; and 3) other extenuating circumstances.

5. Deferred Agreements and Contracts

5.1 Irrevocable Annuities and Trusts

- a. The Foundation has a legal right to the remainder interest or a portion thereof of all irrevocable annuities and trusts in which it is named, regardless of who serves as Trustee.

5.2 Revocable Agreements

- a. Only revocable agreements in the custody of, or managed by, the Foundation shall be recorded in the financial statements.

- b. Revocable agreements will be acknowledged and records maintained outside of the financial statement.

5.3 Life Insurance

- a. Only life insurance policies in which the Foundation is irrevocable owner and beneficiary shall be recorded and reported.
- b. The cash surrender value and any premium paid by the donor shall be recorded as income from fund-raising, and as an asset on the balance sheet.

5.4 Remainder Interests.

- a. The Fair Market Value, at time received, in charitable remainder trusts, life estate agreements and pooled income funds shall be acknowledged and records maintained outside of the financial statements.

5.5 Charitable Gift Annuities

- a. The Charitable Gift Annuities are arranged through a Memorandum of Understanding with the CSU Foundation. The CSU Foundation records both the full value annuity as income when received and as an asset on its balance sheet.
- b. When annuity matures the residual value is recorded on the CSULA Foundation's books.

III. INTERNAL REPORTING

1. The Foundation, through the office of BFS will produce quarterly financial reports and an annual report for the Foundation Board of Trustees.
2. The annual report will be submitted to the Foundation by October of each year.
3. Quarterly and annual reports will include:
 - 3.1 Overview
 - 3.2 Statements of Financial Position
 - 3.3 Statements of Activity
 - 3.4 Statement of Activity-Detail General Fund
 - 3.5 Approved Budget
 - 3.6 Interest Distribution Schedule
 - 3.7 Endowment Fund Balances
 - 3.8 Award Fund Balances
 - 3.9 Agency Fund Balances
 - 3.10 Endowment Investment by Donor

IV. EXTERNAL REPORTING

1. The Foundation through the office of BFS will produce and file a Federal Form 990 with the Internal Revenue Service.
2. The Foundation through University Advancement and/or the office of BFS will provide reporting data to the Chancellor's Office as required.
3. The Foundation will register and report to the Attorney General of California as required by the California Nonprofit Integrity Act of 2004.
4. The Foundation will generate an annual account statement for account holders.
5. The Foundation will generate a quarterly account statement as requested by donors/account holders.

V. AUDITING

1. The Foundation will be audited annually by a CPA Firm selected by the Foundation Board of Trustees based on a recommendation from the Audit Committee.

VI. INTERNAL CONTROLS

1. The Foundation will develop adequate controls including:
 - 1.1 Receipts
 - 1.2 Uncollected items
 - 1.3 Cash disbursements
 - 1.4 Records and cash on hand
2. Copies of the Business Financial Services memorandum on accounting procedures and University Advancement memorandum on administrative support will be forwarded to and reviewed by the Foundation Board of Trustees.

VII. CASH HANDLING

Cash accepted, logged, deposited and reconciled in accordance with the generally accepted practices for establishing internal control. (See attachment 1 – the CSULA Foundation Deposit Procedures Process Map)

VIII. MANAGEMENT OF FOUNDATION ASSETS

Additional information is detailed in the CSULA Foundation Investment Policy documents.

1. The Foundation Board of Trustees under the guidelines of the Investment and Finance Committee will oversee the management of the assets.
 - 1.1 To insure that property is not lost or damaged.
 - 1.2 To protect property.
 - 1.3 To observe requirements of regulation, generally accepted accounting principles, and the requirements of the donor.
 - 1.4 To collect any income generated by property as such income is due.
 - 1.5 To pay loans, taxes and other approved bills on time.
 - 1.6 To invest excess funds in a prudent manner.
 - 1.7 To keep all documents in a safe place.
2. Annually, the Foundation, with the assistance of University Development, will help coordinate development plans for priority projects such as equipment, capital, and program needs of the University.
3. Restricted funds within the Foundation will be established for various University departments, with the approval of the Foundation's Executive Director and consistent with the area's development plan.
 - 3.1 Student Financial Aid – gifts restricted to provide loans, scholarships, stipends or other forms of financial assistance will be awarded to students enrolled at the University or enrolled in a recognized Outreach Program of the University consistent with the Memorandum of Understanding for administration of funds between the Foundation and the Scholarship Office.
4. All requests for expenditures from existing restricted funds must be made in writing, using established guidelines.
5. The following non-specific restricted funds may be maintained by the Foundation:
 - 5.1 Building and Equipment Fund - Gifts restricted to this fund are to be used only for capital needs and costs of raising monies for the project.
 - 5.2 Endowment Fund - Gifts restricted to this fund will be invested and managed by the Investment and Finance Committee of the Foundation, in accordance with the Investment Policies of the Foundation.

IX. ACCEPTANCE OF VARIOUS TYPES OF GIFTS

Procedures for acceptance, recording, and acknowledgment of gifts are detailed in the University Development Policies and Procedures Manual Section 8.0 and are consistent with the following:

1. Gifts of Cash

- 1.1 Gifts of cash generally always will be accepted unless the Foundation's Board of Trustees determines that:
 - a. The gift is inconsistent with the policy related to restricted gifts;
 - b. Acceptance of the gift may be seen as a conflict of interest;
 - c. Acceptance of gift may cause embarrassment;
 - d. The Foundation cannot meet guidelines related to the restriction placed on the gift, or on the recognition request.

2. Gifts of Securities

- 2.1 Gifts of readily marketable securities will be accepted by the Foundation, subject to the guidelines for cash gifts as stated in VII through its Asset Manager and/or Development and Gift Acceptance Committee.
- 2.2 The Foundation will govern the disposition of gifts and securities. Gifts of securities will generally be sold and invested consistent with the Foundation Investment Policies.
- 2.3 The Foundation shall make reasonable attempts to relocate the securities; custody from the donor (or his custodian) to that of the Foundation. If the securities are to be mailed, the stock certificates should be mailed separately from the signed stock power with signature guarantee.
- 2.4 The amount of the donation of the securities will be determined by taking the mean between the high and the low quotes on the date of the gift, multiplied by the number of shares tendered.
- 2.5 Gifts of securities which are not readily marketable will be accepted at lower of cost or market except under the following conditions:
 - a. Securities will be carried at value, as long as audited financial statements are provided to the Foundation to substantiate the value;
 - b. In the absence of financial information which would enable determination of the book value, gifts of closely held corporate stock will be carried on the Foundation's books at \$1.00, unless we have fair market value information.
 - c. Gifts of bonds which require a holding period will be accepted and cashed when the holding period has expired;
 - d. Gifts of securities which will not be accepted include:
 - d.1 Securities which are assessable or which could in any way create a liability to the Foundation.

- d.2 Securities which by their nature may not be assigned, such as series “E: savings bonds.”
- d.3 Securities which have no apparent value.

3. Gifts of Tangible Personal Property

3.1 General Rules:

- a. Current law states that a gift of tangible personal property, if given for an unrelated use, is deductible only at its cost basis, not the current fair-market value. Donors should be advised if the Foundation is not able to put such gifts to related use.
- b. The establishment of value is the responsibility of the donor. If the value is over \$5,000, and the donor wishes to take a tax deduction for the gift, the donor will need to have a qualified appraisal done, with the appraisal summary on the back of the IRS Form 8283 filled in and signed by the charity and its appraiser. If the Foundation sells the item(s) within three years, the Foundation must file IRS Form 8282 informing the donor and the IRS the amount for which the item(s) was sold.
- c. As a rule, Gifts-in-Kind are accepted by the State of California. However, the Foundation can accept such gifts when it is in keeping with the mission of the Foundation.
- d. For the purpose of booking a value of a gift, the State may seek the advice of its own qualified independent appraiser.

3.2 Gifts of art, furniture, automobiles and other vehicles will also be accepted through the University’s Gift-In-Kind procedures.

3.3 Gifts of Other Miscellaneous Personal Property

- a. Items that will be taken into consideration by the Foundation before deciding on acceptance of gifts of personal property will be:
 - a.1 Transportation costs;
 - a.2 Storage costs;
 - a.3 Cost of selling;
 - a.4 Maintenance and repair;
 - a.5 Usefulness to the Foundation or University.
 - a.6 Cost of space modifications/installation.
 - a.7 Operating Costs.
 - a.8 Environmental, health and safety issues.
- b. Items of miscellaneous personal property will be accepted if:
 - b.1 They are useful to the Foundation;

b.2 They can be sold easily.

4. Gifts of Real Property

- 4.1 All gifts of real property or gifts of undivided interest in real property will be approved by the Foundation Board of Trustees based on a recommendation of the Development and Gift Acceptance Committee and the Executive Director after a property analysis has been completed.
 - a. A representative, appointed by the Foundation's Executive Director, shall personally inspect the property, if at all possible, to:
 - a.1 Assess the character of the property in relationship to the surrounding properties;
 - a.2 Assess the physical condition of the property, and what maintenance and repair may be needed;
 - a.3 Observe any apparent hazards or other liabilities; and,
 - a.4 Ascertain whether or not the property is saleable.
 - b. An appraisal is to be made of the property by a certified appraiser.
- 4.2 The following items should be obtained by the Foundation to assist in preparing a gift property analysis:
 - a. Deed, to show how property is vested;
 - b. Property tax bill to show assessed value of land and improvements and tax level;
 - c. Association agreement to note fees or assessments which may be due;
 - d. Title report including conditions, covenants and restrictions statement to show what restrictions are on the property, such as liens and encumbrances, and how the property may be used;
 - e. Lease or rental agreements, if appropriate;
 - f. Notes or mortgages, to determine the current encumbrances;
 - g. Environmental impact report and hazardous waste report when indicated;
 - h. Engineer's report, seismic report;
 - i. Back taxes;
 - j. Easements or covenants on the property; and,
 - k. Notices of any liability or violations of state, county or city codes.
- 4.3 A real estate broker who is marketing similar properties in the area should be asked for a current market analysis. If the market analysis indicates a price significantly less than the appraisal or donor's expectations, the analysis should be reviewed with the donor.
- 4.4 Donors should always be advised to seek their own tax counsel to have them review the terms of the donation to determine the tax consequences.

- 4.5 If, because of high taxes or sizable mortgage, or any other reason that the Foundation would dispose of the property through a “fire sale” (quick sale at perhaps a lower than market price) within two years of accepting the gift, the prospective donor will be informed prior to the acceptance of the gift.
- 4.6 Gifts of commercial properties and businesses will be evaluated, within a reasonable time, not only on the basis of property tax and mortgage liabilities, but also taking into consideration that:
 - a. The Executive Director, acting for the Foundation may collect rents, but may not operate a business because of the unrelated business income tax, unless authorized to do so by the Foundation Board of Trustees.
 - b. The Foundation, as a non-profit corporation, receives no tax benefit from depreciation.
- 4.7 Upon acceptance of the gift the Foundation will:
 - a. Based on a recommendation from the Executive Director, determine if the property is to be held or sold, except in cases where the Foundation is not the Trustee.
- 4.8 If the property is to be sold:
 - a. The Foundation will list the property with an experienced broker in the area where the property is located;
 - b. The Foundation will list the property at the fair-market value;
 - c. The Foundation, unless a separate agreement is made with the donor, has total discretion regarding when and at what price the property will be sold. Such decisions should be made possible, with the knowledge of the donor, and if possible, with his or her consent, keeping in mind that the best prospects for future gifts are present donors;
 - d. The establishment of value is the responsibility of the donor. If the value is over \$5,000, and the donor wishes to take a tax deduction for the gift, the donor will need to have a qualified appraisal done, with the appraisal summary on the back of the IRS Form 8283 filled in and signed by the charity and its appraiser.
 - e. If the Foundation sells the item(s) within three years, the charity must file IRS Form 8282 informing the donor and the IRS the amount for which the item(s) was sold.
- 4.9 The Executive Director may, with the Foundation Board of Trustee’s consent, pay part, or all, of the appraisal and legal fees, if the donor demands it.

5. Account Policies

5.1 Endowed Accounts:

The following minimum endowment levels apply:

- a. Endowed Chair – \$1.5 Million
- b. Endowed Fund – \$25,000
- c. Endowed Fund prior to July 1, 2001 grandfathered at \$5,000 minimum endowment
- d. Endowed Fund from July 1, 2001 to June 30, 2015 grandfathered at \$10,000 minimum endowment.

5.2 Endowed Scholarships:

- a. The initial contribution to a named scholarship endowment must equal or exceed \$1,000.
- b. Contributions toward a named endowment of more than \$1,000 and less than \$25,000 will be denoted as an endowment in process and the Foundation will accept a pledge payment schedule not to exceed 5 years to bring the principle balance of the account to the minimum endowment level (\$25,000).
- c. In the event the fund fails to meet the minimum endowment level after 5 years, the funds will be spent to support annual scholarships and will be administered in accordance with the established criteria. If no criteria have been established, funds will be used to provide scholarship support at the discretion of the Foundation.
- d. Endowed funds will be invested consistent with the Investment Policy Statement for Endowed Funds.

5.3 Annual Accounts:

- a. The Foundation will accept funds intended to support causes in the year the gift is made, within a specific time frame, or over a term of years.
- b. The Foundation will not provide interest earnings to annual accounts unless specifically required by the donor and approved by the Foundation Board of Trustees.
- c. Annual Account holdings will be invested in accordance with the Foundation's Investment Policy Statement for Non-Endowed Funds.

5.4 Fee Policy:

- a. Deposit Fee Policy: A 5% administrative fee computed on gross revenue will be charged to all accounts/funds except annual scholarship gross contributions below \$25,000 in one fiscal year.
- b. Administrative Fee Policy: The Fund should be subject to such Administrative Assessments as may be approved by the Foundation Board of Trustees from time to time. This Administrative Assessment shall be in addition to program spending and direct cost associated with the endowment investment program.
- c. Administrative fees may only be adjusted with the consent of the Foundation Board of Trustees.

5.5 Frustration of Purpose

- a. If at any time in the future the Foundation is unable to administer a fund as indicated, the Foundation is authorized to utilize the proceeds of the fund for the next closest use.

X. DONOR RECOGNITION

1. The Foundation will develop donor recognition vehicles for various levels of giving.
2. All gifts will be acknowledged regardless of the amount of the gift.
3. Named gift opportunities will be managed and maintained in keeping with the CSULA Administrative Procedure 015 for naming buildings and programs.

XI. OPERATING FUND RESERVE

1. The Foundation has developed the Operating Budget and Reserve based on the following source of income:
 - 1.1. Five percent (5%) of unrestricted or temporarily restricted gifts of more than \$25,000 in one fiscal year.
 - 1.2. Five percent (5%) of permanently restricted (endowment) gifts.
 - 1.3. Up to one and half percent (1.5%) on the Endowment Fund.
 - 1.4. Interest and dividends earned on Non-Endowment Fund.
2. In any fiscal year, the Foundation may approve, a part of the income for the Operating Budget, and the remaining income will be maintained in a separate general ledger account to be held as reserve. The reserve will be available with the approval of the Board for expenses including, but not limited to:
 - 2.1 One-time capital expenditures to improve fund raising efficiency, effectiveness at the University and/or to increase the administrative capacity of the Foundation;

- 2.2 Unforeseen expenses arising in a fiscal year for which funds have not been allocated in the budget or for which inadequate funds have been allocated;
 - 2.3 Unbudgeted expenses associated with negotiating, accepting, stewarding and acknowledging major gifts;
 - 2.4 As an offset to any deficit in the designated fund balance resulting from poor investment performance;
 - 2.5 As a supplement to the revenues comprising the Foundation operating budget in a subsequent year.
3. Any recommended reserve shall be presented to the Foundation Board of Trustees and to the President of the University as a part of the annual operating budget approval process for the Foundation and will be represented in each of the quarterly financial statements.
 4. Approved reserve funds shall be invested consistent with the un-endowed Investment Policies and Procedures.