

JACKSONVILLE STATE UNIVERSITY FOUNDATION (JSUF), INC. HANDBOOK

JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC./INTRODUCTION

The Jacksonville State University Foundation, Inc. (Foundation) was organized in 1978, as a non-profit corporation separate from Jacksonville State University. The Foundation is an independent tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). It is not a “private foundation” as defined under IRC Section 509(a), and gifts are deductible under IRC Section 170(b). Contributions from generous alumni and friends are used entirely for the purpose specified by the donor in support of Jacksonville State University and its students, faculty, and staff.

Because of its mission to support the activity of Jacksonville State University, which is a recognized tax exempt purpose, the Foundation is considered a public charity. It, thus, qualifies under the above IRC sections. An essential element in attaining and retaining any tax-exempt status is that no part of the organization’s assets be used for anything other than tax exempt purposes. The use of Foundation assets to benefit an individual in a personal manner is prohibited. It would jeopardize the Foundation’s tax-exempt status and breach its fiduciary responsibility to donors to use contributed assets in any other way. The loss of its 501(c)(3) status would diminish the Foundation’s ability to accept new funds and would greatly reduce the amount of funds available to distribute for University purposes.

This Handbook supersedes the Foundation’s previous Policies. As tax requirements and their applicability to the Foundation change from time to time, the Handbook will be updated. The Handbook and templates for each form referenced are also accessible electronically in the Policy and Procedure – Handbook link in the Foundation’s Web Page. Please do not consider the Handbook to be authoritative legal or tax information for your personal tax situation. For this, you should consult your own advisors.

The Foundation also manages funds for 501(c)(3) entities that are controlled or directly related to the university, such as for the International Endowment Foundation. Any references in this Handbook including any tax reporting responsibility, generally apply to related entities as well.

The Foundation is not exempt from paying sales tax on items purchased in Alabama that are related to its mission of supporting Jacksonville State University.

We ask your help to ensure that the use of Foundation funds is for the best benefit possible for Jacksonville State University. When you are considering a purchase that

may be questionable in this regard, please feel free to contact our staff for guidance before you commit Foundation funds.

Jacksonville State University Foundation Disbursement Policy

Jacksonville State University Foundation (“Foundation”) has a fiduciary responsibility to donors to ensure that funds are utilized in accordance with the terms and conditions of their gifts. All disbursements from Foundation funds must: 1) provide direct benefit to Jacksonville State University (“University”); 2) Be directly related to responsibilities of the individual incurring the expense; 3) be properly reported for tax purposes, as appropriate; and 4) be used in compliance within acceptable limitations of the donor.

Accountable Plan

The Foundation has an Accountable Plan. The term “Accountable Plan” was developed by the IRS to set forth rules and define legitimate expense reimbursements. It requires submission of *original* documentation to support the reimbursement or payment request. The IRS requires that Foundation payments to or on behalf of University employees **that do not qualify as Accountable Plan payments be included in the employee’s W2 wages**. These non-accountable plan payments are essentially treated like compensation for services.

A qualified Accountable Plan requires all expenditures to:

1) Have a bona fide business purpose

The IRS may view a disbursement as providing a personal benefit if there is any doubt concerning its business purpose. Even though in some cases the business purpose may be implied, it must be specifically documented so that a third party would have no question as to its benefit to the institution. Paying or reimbursing for “lavish” or “extravagant” expenses is unacceptable. These terms are used in IRC Sec 162 and are repeatedly used in IRS documentation, usually with a statement that such expenses are non-deductible. The Foundation will determine, at its sole discretion, whether expenses are lavish or extravagant. If an expense is lavish or extravagant, the Foundation may deny payment in its entirety or reduce the amount paid. If you feel there is justification for a reimbursement which might be deemed lavish, please provide your reasoning when submitting the request.

2) Be properly substantiated

Original itemized receipts are required to provide substantiation for all expenses being paid or reimbursed. The foundation will not reimburse expenses without original receipts. Credit card statements are not adequate supporting documentation. Original detailed receipts for credit card purchases are obtainable from the vendor and should always be attached to the Check Request Form.

Reconstruction of records may be allowed if originals have been lost through circumstances beyond the person's control, such as fire, flood, etc. If reconstruction is not possible, a signed memo must accompany the request certifying, **"The receipt cannot be provided, no personal items are being reimbursed, and the reimbursement has not been submitted for payment to any other source."**

NOTE: *Lost receipts on purchases with cash can result in delay or rejection. To ensure timely reimbursement, use a credit card instead of cash. There is still documentation of the purchase, even with lost receipts.*

3) Be accounted for on a timely basis

The Foundation will not reimburse/pay expenditures if they are not submitted within 60 days in accordance with IRS guidelines.

The Foundation will not pay the check request if any of the three elements of an Accountable Plan are missing from the check request. The importance of properly documenting the business purpose of the expenditure as proof of its propriety cannot be overstated.

DISBURSEMENT POLICIES AND PROCEDURES

General

Submit all requests for disbursements on a Foundation Check Request form. The Form **must be completed in its entirety** and should include the information detailed below. Payment can be processed to reimburse an employee or to pay a vendor invoice. The Check Request form is found on the Foundation Forms site. Original detailed receipts must be attached to the Check Request. Checks and direct deposits are processed each week.

Purpose

Provide an explanation of the purpose for which the goods or services are to be used (i.e., how materials purchased will be used; reason for a meeting, event and/or use of athletic suites, including a list of attendees and their affiliation to the University, etc.).

Documentation

Attach **ORIGINAL DETAILED** supporting documentation (i.e., invoices or itemized receipts for all expenses). Balance due statements are not acceptable. The Foundation does not provide cash advances. The Foundation will reimburse a person, pay vendors directly, or transfer funds to the University.

Sales Tax

Note that the JSU Foundation is required to pay sales tax on the purchase of goods/products, whereas the University is not. If you submit a Check Request to the Foundation for reimbursement/payment of goods/products, ensure that the invoice includes sales tax. Sales tax is typically not applicable for payment of services.

Signatures

The Fund Manager and Fund Manager Supervisor must provide **ORIGINAL SIGNATURES** on the Check Request form as their certification of the appropriateness of the expenditure request. Signature stamps are not allowed. This is an important financial control feature to help protect the Foundation fund from unauthorized and potentially inappropriate uses that are unknown to the Fund Manager. If the Fund Manager is at the Vice President level, the President does not have to sign the check request as the Fund Manager's supervisor, **UNLESS** the check request is for the direct benefit (reimbursement) of the Vice President level fund manager.

IT IS IMPORTANT TO UNDERSTAND THAT THE SIGNATURE SERVES AS ADDITIONAL DOCUMENTATION OF THE PROPRIETY OF THE REQUESTED EXPENDITURE.

NOTE: *If you are not listed as a Fund Manager and should be, or if you are listed and need to be removed, a Fund Form (found on the Foundation website) should be completed and submitted before or with your Check Request.*

If the Check Request is incomplete or is missing supporting documentation, the missing information will be identified, and all paperwork will be returned to the sender. Complete Check Requests with proper supporting documentation received at the Foundation office will be processed within 5-7 business days under normal circumstances.

Rush Requests

Requests for rush payments interrupt the plans and procedures established by the Foundation. Payment requests must be planned in advance and presented to the Foundation within the allowable time frame for normal processing.

Transfers to Other Foundation Funds

If you need to transfer funds from one Foundation fund to another Foundation fund, complete and submit a Funds Transfer Form, which can be found on the Foundation's website.

Purchase of Capitalized Equipment with Foundation Funds

Capitalized equipment is defined as movable, non-consumable property that has a life expectancy of one year or more and has a unit value of \$5,000 or more.

Any capitalized equipment purchases must be made by the University. The Foundation will send funds to the appropriate University budget for the cost of those assets. Please send a Check Request payable to the University and specify the FOAP to which to transfer the funds.

Fixed Asset cost thresholds are shown below:

Buildings: \$100,000

Improvements: \$75,000

Equipment: \$5,000

- This includes furniture, office equipment, computer hardware/software, cameras, automobiles, athletic equipment, grounds equipment and musical instruments.

If there are any questions regarding this policy, please contact the Foundation to obtain further guidance or clarification.

GUIDELINES REGARDING PAYMENTS TO AND ON BEHALF OF UNIVERSITY EMPLOYEES

Independent Contractor or Employee

The complex and ever-changing Internal Revenue Code and IRS regulations cause the distinction between employee status and independent contractor status to be difficult to determine and often subjective in nature. If the person **does** meet the requirements of an Independent Contractor, then submit their invoice for payment and the Foundation will pay the individual directly. Typically, if the vendor is an individual or a small business (not a corporation) providing a SERVICE, it will be considered an independent contractor and a W-9 will be required. The Foundation will issue a 1099 to the contractor at the end of the year.

If the person **does not** meet the requirements of an Independent Contractor, then they would be considered an employee. If the expense is a bona fide business expense, the expense will be reimbursed and will not be taxable to the individual. If the expense is not deemed to be a bona fide business expense, or is not allowed by the Foundation policies, it will be reimbursed and reported to payroll as a taxable employee benefit to be included in taxable wages on the employee's W-2.

Reimbursements to Employees

If the payment is a reimbursement for a legitimate business expense, it is not included in taxable wages. This will be reimbursed to the employee through direct deposit (ACH) from the Foundation. Complete the Direct Deposit form found on the Foundation's website and submit to the Foundation with the Check Request. If it is a personal expense, an employee benefit, or an expense that is not allowed by Foundation policies, it is considered to be taxable income and the Foundation must report that amount to payroll to be included on the employee's W-2.

Employee Salaries

It is permissible to use Foundation funds to support specific University faculty or staff positions as long as this use is within Foundation fund guidelines, the use is approved by the appropriate Foundation Fund Manager, and appropriate University staff members approve the employee position. Complete a check request so the Foundation can transfer funds to the appropriate University FOAP.

Faculty and Staff Awards, Bonuses, etc.

Payments made to University and Foundation employees such as bonuses, awards or for services in excess of their usual duties must be included on the employee's Form W-2. All such payments must therefore be made through the University's payroll system. Complete a check request so the Foundation can transfer funds to the appropriate University FOAP.

Sympathy/Memorial Flowers

Foundation funds may cover sympathy/memorial flowers reimbursable up to \$300. (Payments for flowers related to employee weddings, anniversaries, births, etc. will not be reimbursed/paid, as these are personal in nature.)

Gift Certificates/Gift Cards

Gift certificates/gift cards are considered cash equivalents by the IRS and therefore would be considered taxable income to the recipient. If the Foundation pays for gift cards that are awarded to employees, the department awarding the gift cards is responsible for providing the Foundation with the names of the recipients and the amounts awarded. This information should be provided with the completed Check Request. The Foundation will then provide this information to payroll to be included in the employee's taxable wages.

Personal Gifts

Foundation funds should not be used to purchase personal gifts or flowers, such as those for Administrative Assistant's Day, Boss's Day, a new baby, wedding, etc. These items provide a personal benefit to the recipient. As such, the expenditures are not for a business purpose, as defined by IRS regulations. Foundation funds may be used for retirement gifts honoring an employee with significant years of experience provided the expense is not lavish or extravagant.

Staff Meetings, Luncheons, Etc.

Foundation funds may be used to pay expenses for bona fide staff meetings, luncheons, retirement parties for employees with significant years of service, etc. assuming they fall within certain guidelines. Typically, staff meetings are routine, have a consistent group of attendees, are "working" meetings with a set agenda, and take place in a setting conducive to doing business. The amount per person should follow requirements for Meals and Entertainment and not be lavish or extravagant.

Fringe Benefits Payments

Fringe benefits are payments or benefits provided by employers to their employees as compensation in addition to regular salaries and wages. As a rule, fringe benefits may be taxable unless specifically excluded by tax law. Fringe benefits paid by the Foundation that are not exempt from tax laws must be included in the employee's

taxable wages. If a reimbursement to an employee is not for a bona fide business expense or is not in accordance with Foundation policies, the payment will be considered a taxable fringe benefit and will be reported to payroll to be included in the employee's taxable wages.

Moving Expenses

The Foundation may reimburse a University employee for moving expenses according to IRS guidelines. Moving expenses are considered taxable fringe benefits and must therefore be reported to payroll to be included in the employee's taxable wages.

Mobile Phone Allowances

To receive a mobile phone allowance, at least 50% of the phone expense must have been incurred for business purposes. Cell phone allowance is \$75 per month that the personal cell phone is used greater than 50% of the month for business purposes. Mobile phone allowances are considered taxable fringe benefits and must therefore be reported to payroll to be included in the employee's taxable wages. The initial allowance must be approved by the VP of the employee's division.

Club Dues/Memberships

The Foundation will not pay dues for airline travel clubs or similar social clubs. This policy does not apply to membership dues in professional associations and civic organizations such as the Chamber of Commerce, Rotary, Kiwanis, etc., provided there is a connection between the membership and member responsibilities to Jacksonville State University. Payments for country club dues will be approved on an as needed basis. Payments for professional associations, civic organizations, and country club memberships are considered taxable fringe benefits and must therefore be reported to payroll to be included in the employee's taxable wages.

Tickets

Requests to purchase or reimburse for athletic or fine arts tickets must identify the name and relationship of the ticket recipient, and the business purpose served by providing a complimentary ticket.

Travel

Travel for University employees is to be processed through the University following the University's normal policies and procedures. Exceptions to this may be approved by the Vice President of University Advancement or the Executive Director of the Foundation. Transfer of funds from the Foundation to the University budget account that is incurring the travel expense is appropriate. Complete a check request so the Foundation can transfer funds to the appropriate University FOAP.

NOTE: Foundation funds will not be used to pay for lavish or extravagant travel expenses, first-class travel, or trips or conferences aboard luxury cruise ships.

Spouses

The Foundation can only pay the expenses of those who have a valid business purpose for traveling. Costs for persons with no valid business relationship for traveling will not be reimbursed from Foundation funds.

Retreats

Faculty and staff retreats may be bona fide business activities. Reimbursement will not be made for the expenses of spouses or other attendees without a legitimate business purpose.

Entertainment and Meals

“Entertainment” refers to and includes expenses associated with attendance at theaters and sporting events as well as the furnishing of food and beverages (meals) at restaurants or other such places or hotel accommodations. Expenses of this kind are reimbursable when they are reasonable.

“Meals” are defined as other persons joining the employee at the expense of the Foundation fund. These expenses are reimbursable for legitimate business purposes.

The elements required to provide the legitimacy of entertainment expenditures are:

- 1) The amount of each separate expenditure;
- 2) The date of the activity;
- 3) The place and description of the entertainment, such as dinner or theater, if not apparent from the name of the establishment;
- 4) The business purpose of expense, which must directly relate to the responsibilities of the person incurring the expense (a short description such as, “Discussed XYZ research project, conducted departmental staff meeting, had dinner to cultivate a donor,” etc. is acceptable);
- 5) The name and title of other persons in attendance to support how the benefit required in number 4 above will be derived.

The Foundation will refuse payment for any meal or other entertainment expense for which the business purpose has not been sufficiently documented. In addition, the Foundation will refuse payment for any meal that is lavish or extravagant. If business and non-business individuals are entertained at the same event, the Foundation will only reimburse for business persons at the event.

If the Check Request is for expenses related to a meal, be sure to complete the meal section of the Check Request.

Spouses

Generally, meals for a spouse will not be reimbursed unless there is a legitimate business purpose for his/her presence (i.e., entertaining a donor or distinguished guest whose spouse accompanies him/her or when the presence of the employee's spouse is considered helpful to a legitimate University effort). It is generally not appropriate, however, for spouses to join in business meals or other entertainment activities when the other attendees of the function are all University employees.

Mixed-Use Expenses

Many times, the items or services purchased can be used for personal use as well as business use. When requests for items or services that have the potential for personal use combined with business use are presented to the Foundation for payment, the Foundation will review the facts and circumstances of the situation and obtain all of the information necessary from the requestor to make an appropriate payment determination. A statement from the requestor explaining the business portion of the expense is required to adequately support such payments from Foundation Funds.

Retired Employees/Volunteers/Adjunct Faculty

As with other types of expenditures, payments to or for the benefit of retired or emeritus employees must have a documented business purpose that benefits the University. The fact that these persons are no longer on the active payroll need not exclude supporting their activities as long as the activities directly benefit the University and are sufficiently documented. These payments will be considered taxable and reported on Form 1099.

GUIDELINES REGARDING PAYMENTS TO OR FOR THE BENEFIT OF STUDENTS

There are many names used at the Foundation for payments to or for the benefit of students – scholarships, fellowships, awards, stipends, wages, and expense reimbursements. The IRS requires the provider of any of these payments to follow tax reporting and/or withholding rules based on the *reason for the payment*, regardless of the terminology used to describe it. Foundation payments to or for students can generally be categorized into one of the following two *tax* categories:

- 1) Scholarships or other payments that are designed to assist in retaining students at the University and with no other benefit expected by the University (e.g., no employee relationship)
- 2) Awards and other payments that are designated to recognize a past academic achievement, are not based on any employment relationship to the University, and do not tie future studies of the recipient to the University.

The IRS has provided some guidance to assist in differentiating a scholarship from an academic award. The general rule is that a scholarship is prospective in its objective to keep the student enrolled, while a prize or award is primarily related to past activities of the recipient. If a payment that advances a student's academic program has elements of both past activities and prospective activities, it is presumed to be a scholarship unless facts of the specific situation dictate that the payment is clearly a student award or compensation for services.

Scholarships, Awards and Employment-Related Compensation

To qualify as a scholarship payment, the student must be enrolled at the University at the time the payment is made. Foundation scholarships for tuition, books, or fees are provided at the beginning of each semester. Foundation scholarships, whether Endowed Scholarships or Annual Scholarships, are administered through the University's Financial Aid Office. The Financial Aid Office submits a Check Request for the the scholarship amounts from the applicable Foundation funds.

According to IRC Sec. 117(c), the definition of a qualifying scholarship **excludes** payments by the Foundation (even if for tuition, fees, and books) if the payment requires teaching, research or other services to be performed by the student as a condition for receiving the payment. These employment-related tuition payments are compensation and must be reported on the recipient's W-2. If the student has an employment relationship with the university, payments (other than legitimate scholarships) must be administered through payroll.

Award payments recognizing academic achievement are paid directly by the Foundation to the student and are considered taxable payments and reportable on IRS 1099 Forms.

Tax Considerations

Under IRC Section 117, scholarships for tuition, books, and fees are not taxable. Any scholarship amounts in excess of tuition, books and fees (such as for room and board) are taxable. Any payment for services that benefit the University, regardless of whether it is called a scholarship, is considered employment compensation and must be included on the employee's Form W-2.

FOUNDATION ISSUED CREDIT CARD USE

The Foundation provides credit cards for certain University positions as determined by Management. It is important to provide any and all documentation pertaining to expenses incurred using these Foundation issued credit cards. The credit card should not be used for personal expenses.

The check request should be used to document all Foundation issued credit card transactions including:

- 1) Bona fide business purpose
- 2) List of attendees, if applicable, for each expense
- 3) Clear explanation of any changes that may affect the current or future credit card statement
- 4) Original detailed receipts for each transaction

The Check Request should be easy to follow and have prior approval when submitted. If the Check Request is incomplete or does not comply with Foundation requirements, it will be returned.

Examples of expenses that cannot be paid by the Foundation

This list is not intended to be all-inclusive, only to provide examples of the most frequently rejected expense reimbursements/payments. If you are not clear as to the appropriateness of an expense, please contact the Foundation office before incurring the expense or service.

- ⊗ Personal expenses (i.e. meals, room, travel for a spouse or family, or when not for a bona fide business purpose)
- ⊗ Payments for flowers or gifts related to employee's weddings or anniversaries, as this is considered personal (flowers for sympathy are allowed but not to exceed \$300)
- ⊗ Purchase and/or maintenance of equipment located at a home or other off-site location
- ⊗ Political contributions including the purchase of tickets to attend a fundraiser
- ⊗ Questionable items (i.e., those not in compliance with policies established by the Foundation, or those that may give the perception of misuse of charitable funds)
- ⊗ First-class airline tickets or business-class airline tickets for domestic travel and seat upgrades for air travel for which there is a cost
- ⊗ Loans to University employees or students
- ⊗ Payment of fines, parking tickets, or penalties
- ⊗ Reimbursement for parking at the employee's main place of work
- ⊗ Donations to other charitable organizations (sponsorship requests must be approved by the Executive Director or VP of University Advancement)
- ⊗ Lavish or extravagant costs for meals or other entertainment expenses
- ⊗ Payments to non-resident aliens
- ⊗ Meals at which only University employees are in attendance (exception for bona fide staff meetings or retreats or retirement parties for employees with significant years of service)
- ⊗ Lavish or extravagant retirement gifts and party expenses
- ⊗ Non-work/business related expenses

The Jacksonville State University Foundation Expenditure Policies and Procedures are intended to be used as a guideline and can be revised or changed at any time as deemed necessary. Should you have further questions, please contact the Foundation office directly or visit the Foundation website for more information.

<http://www.jsu.edu/foundation>