<u>FUND/PROJECT ACCOUNTS</u> – ESTABLISHMENT REQUIREMENTS

All activity through the USM Foundation is maintained through accounts. An account must be established before contributions or any other form of revenue will be accepted. Unrestricted donations can be commingled in one fund; however, if a donor places a restriction on the use of a contribution, a separate fund must be established.

Minimum Requirements:

- A minimum of $100 is required to open an account.
- Operating accounts that remain below $100 for a period of three months will be closed and merged into a general unrestricted account unless special arrangements are made.
- Endowment accounts must reach $10,000 market value before Spendable Income is available, but may be opened with any amount and a Memorandum of Understanding on file. See Procedures Section – Memorandum of Understanding for directions on completing this document.

Account Agreement Form:

A completed ACCOUNT AGREEMENT FORM (*see Appendix page A-1*) is required to establish an account. The form provides the USM Foundation with important information for the ongoing management of the account. That information is as follows:

(1) <u>Institution and dept/program within that institution</u> for which the account is being established.

(2) <u>Account type</u> being established. An account is categorized as one of the following:

- ★ UNRESTRICTED (*for general use of a department, program, center, fundraising, etc.*)
- ★ RESTRICTED (*given by a donor for a specific project, scholarship, research, grant, or conference*)
  Restricted funds cannot be deposited in an account designated as unrestricted.
- ★ PERMANENTLY RESTRICTED (*given by a donor for an endowment*)
  An endowed account must have a signed Memorandum of Understanding (MOU).
  (*see MOU - SAMPLE on Appendix page A-18*).

(3) <u>Account name and purpose</u> for which the funds will be used (*i.e., support a lectureship, provide for general operations etc.*)
This section is important and must not be left blank.

(4) <u>Account Administrator</u> (*person at the institution responsible for stewardship of the account*).
He/she receives the monthly statements and is responsible for reconciling account transactions.

(5) Authorized signers (*the persons who have authority to approve requests for disbursements*).

At least two (2) persons must be identified.

The person with stewardship responsibility (the Account Administrator) may not be one of those persons.

*****THE DEAN OR DEPARTMENT CHAIR MUST INITIAL THE ACCOUNT AGREEMENT*****

The ACCOUNT AGREEMENT should be reviewed annually and updated whenever there is a change in the person(s) who has stewardship or signature authority. The USM Foundation has the right to return a Disbursement Request if the person who approves the request is not identified on the Account Agreement Form.

Account Administrators:

Appropriate university employees are identified as administrators for the accounts that are established. The administrators receive monthly statements on the accounts they oversee. They are responsible for reviewing the statements and ensuring that receipts and disbursements have been posted correctly. The following rules apply with regard to the person selected for this responsibility:

- The Administrator must be an active employee of the institution.
- An employee whose family member contributes more than $1,000 of the total contributions to an account may NOT serve as administrator or have signature authority to disburse funds from that account. In such cases, that employee's supervisor usually serves either as the administrator or as the person with signature authority.

  The business activities of an employee who falls under this category may still be supported from the account, but all expenditures for those activities must be approved by the person with signature authority on the account.

  ALERT!

  ☆ CONTRIBUTIONS FROM FACULTY OR STAFF ARE TAX DEDUCTIBLE ONLY IF THEY ARE MADE TO A PROGRAM OVER WHICH THAT FACULTY OR STAFF MEMBER HAS NO CONTROL OR SPENDING AUTHORITY.

- An employee who has signature authority on an account cannot approve his/her own reimbursement or a payment made on his/her behalf. Approval in such cases must be made by another person who has signature authority on that account or by a supervisor (usually the Department Chair or Dean).

  ALERT!

  ☆ THE *TAXPAYER BILL OF RIGHTS 2 LAW* PROVIDES CERTAIN PENALTIES THAT MAY BE CHARGED TO "FUND MANAGERS" AS WELL AS TO RECIPIENTS OF THE FUNDS WHEN PAYMENTS FROM 501(C)(3) ENTITIES PROVIDE EXCESSIVE COMPENSATION TO THE PAYEE. IT IS POSSIBLE THAT THE IRS MAY CONSIDER INSTITUTION EMPLOYEES WHO RECOMMEND DISBURSEMENT OF FUNDS TO BE INCLUDED WITHIN THE DEFINITION OF "FUND MANAGERS." THE PENALTIES CAN BE SEVERE.