



FOUNDATION

NSU FOUNDATION PROCEDURES FOR SPECIAL PROJECT ACCOUNTS

The NSU Foundation is an exempt charitable organization under Internal Revenue Code Section 501(c)(3). This classification exempts NSUF from federal income taxes and allows foundation donors a charitable federal tax deduction within charitable guidelines established by the IRS.

The IRS exemption is vital to NSUF's ability to perform its mission of securing the future of Northern State University. In order to retain this exemption, NSUF must follow IRS guidelines for all receipts and expenditures handled by NSUF.

The guidelines listed below are not all inclusive, but will help insure Special Project accounts meet IRS guidelines, NSUF policies, and the policies of Northern State University.

RECEIPTS PROCEDURES

Each fundraiser or solicitation must receive prior approval by completing a NSU Solicitation Request. Solicitation forms are available in the Student Activities office.

Note that solicitation forms are used for two kinds of fundraising activities:

- a. **On campus fundraising with no requests for cash contributions.** These are typically managed by the NSU Finance office through a state account since no charitable donation is involved. Please contact the NSU Finance Office for guidelines for these types of accounts.
- b. **Requests for cash contributions and any solicitation of off campus businesses or individuals** - these projects must be approved in advance by both NSU and NSUF. Since these types of projects will typically involve a charitable gift of cash or goods/services, once approved, these types of solicitations will be handled by NSUF as Special Project accounts in order to insure compliance with charitable receipt requirements.

Special Project funds are not the property of the NSU department or organization but are NSUF funds restricted to a specific purpose. Please follow these procedures to allow the foundation to properly account for these funds and insure donors receive appropriate acknowledgment:

1. **Get prior approval** – complete the Solicitation form for each fundraising event.
2. **Deposit funds promptly** - Special Project payments should be sent directly to NSUF or brought to the foundation office for recording and donor acknowledgment within two (2) business days of an event or receipt by the department.
3. **Report all gifts, including non-cash gifts** - Non-cash donations to a Special Project must also be acknowledged to the donor. Please contact the foundation office for procedures related to non-cash donations of goods or services. Non-cash donations include donated merchandise.

EXPENDITURES PROCEDURES

Certain limitations apply to all 501(c)(3) organization expenditures. Expenditures cannot be made for the private benefit of individuals or organizations, for political campaign intervention, or legislative activities.

NSU Foundation
NSU Special Project Account Procedures

In addition, the expenses must be for the benefit of NSU, as stated in the foundation's exempt purpose as "... dedicated to securing the future of Northern State University..."

NSUF Special Project account expenditure process:

1. **Disallowed expenditures** – please review the list of disallowed expenditures, below.
2. **If in doubt, ask first** - We recommend you contact NSUF in advance if you have any questions about an expense to make sure it is an allowable expense that can be paid or reimbursed from the Special Project account. The worst case scenario would be for an employee to make a purchase that cannot be reimbursed by the Special Project account.
3. **Form** - Expenditures should be submitted using the NSUF Expenditure Authorization form. Expenses >\$500 must be approved by the NSU Finance Office. Please refer to that form for additional information that will insure timely payment of the expense.
4. **Sales tax** - Although the NSUF is exempt from federal income taxes, it is **NOT** exempt from SD sales tax. Please be sure to inform all suppliers that the foundation is separate from the university (which is sales tax exempt.) If NSUF receives an expenditure request with an invoice that does not include sales tax, we will return the paperwork to the requestor to contact the supplier for a corrected invoice.
5. **Examples of typically allowed expenditures** - unless on the disallowed list, below, normal Special Project expenses usually include:
 - Direct fundraising expenses
 - Special event expenses – fine arts competitions, academic contests, etc.
 - Donor appreciation events approved in advance by NSUF
 - Special department expenses approved by NSU

DISALLOWED EXPENDITURES

Examples of expenditures **not allowed** through Special Project Accounts include:

1. **Compensation to any NSU employee.** All such transactions must be processed through the state payroll system. Compensation includes (but is not limited to) salary, bonuses, honorariums, and stipends. In certain circumstances, the Special Project account can reimburse NSU for certain payroll costs, but these situations must be approved in advance by both NSU and NSUF.
2. **Benefits or gifts for any NSU or NSUF employee.** Benefits include (but are not limited to) moving expenses, retirement gifts, going away gifts, memorials, etc. Some employee benefits paid by NSU may again, in certain circumstances, be reimbursed if approved in advance by both NSU and NSUF.
3. **Gifts to any individual or family** that are not in exchange for services. Examples include memorial gifts, contributions to a fundraiser for medical or other personal expenses, gift cards, etc.
4. **Student payments of any kind, including scholarships, cash payments, gifts, and gift cards.** All student financial aid must be processed through the NSU Financial Aid office. All compensation for students must be processed through the NSU payroll system. Recent tax reform now disallows any gift to an employee or student worker that is cash or a cash equivalent such as a gift card unless the gift is included in the employee's or student's wages. All such gifts are included in wages, regardless of the amount.
5. **Gifts to another charitable organization.** The NSU Foundation exempt purpose, as determined by the IRS, is to serve Northern State University and NSU students. Payment to other charitable organizations might seem admirable, but the IRS does not allow such expenses from funds donated to the foundation from any source, include those made to Special Project accounts.