



POLICIES AND PROCEDURES

**Subject: Foundation Programs, Scholarship, and
Endowment Procedures**

**Policy No. 726
Date: 8/21**

Introduction

The Foundation is legally and financially responsible for compliance with, and fulfillment of, any agreement it enters into on behalf of California State Polytechnic University, Pomona. Accordingly, the Foundation must operate within the guidelines, rules, and regulations of the California State University Board of Trustees and the Office of the Chancellor and be in compliance with federal and state laws. The Foundation is audited annually by independent auditors and the report is provided to the Foundation Board of Directors, the President of the University, the CSU Chancellor's Office, and many external funding agencies.

Foundation Responsibilities for Programs, Scholarships and Endowments

The Cal Poly Pomona Foundation, Inc is responsible for providing and/or coordinating the following services for the Cal Poly Pomona Philanthropic Foundation:

- Providing fiscal/accounting services and monthly reports of revenue and expense;
- Entering into agreements and providing risk management;
- Providing purchasing support and advice on obtaining equipment, supplies, and services;
- Monitoring account revenues, expenditures and providing assistance in maintaining spending controls
- Filing required reports on a timely basis with state, federal, and other agencies
- Initiating 5-Year Review of Programs for approval with College or Division

Internal Managers/Foundation Programs Administrators

Per the business services agreement between the Cal Poly Pomona Philanthropic Foundation and the Cal Poly Pomona Foundation, Inc, an Internal Manager is assigned to accounts. Internal Managers monitor program activity and analyze accounts payable, and other revenue and expense activity. The Authorized Signer assures that all revenue collected, and funds expended on a program will be for the purposes described in the Program, Scholarship, Gift Agreement, or Endowment Agreement. Revenues and expenses must be in compliance with the educational mission of the Foundation, applicable policies and procedures of the Foundation and the restrictions imposed by the donor. The Internal Manager reviews for allowability all revenues and to ensure the funds are for the purposes described in the Foundation Program per the ICSUAM 13680. All expenditures require the necessary Foundation form approved by the Authorized Signer and submitted with original supporting documentation.

In addition, the supporting documents are reviewed by the accounts payable staff to ensure they are in compliance with all Foundation policies and procedures, proper classification, availability of funds and to ensure the invoice has not been previously paid. If there is an issue with the cash receipt, transfer transaction and or expenditure the internal manager contacts the Authorized Signer to resolve the issue.

Authorized Signer

All Programs, Scholarships and Endowments are created and managed by a designated fund operator officially called the Authorized Signer. An Authorized Signer must be an employee of a Cal Poly Pomona Auxiliary or of the University. If the Authorized Signer is a University Employee and volunteers their services, then the Foundation will not be required to reimburse the University. The Authorized Signer monitors the receipt of cash, ensures the purpose of the program is fulfilled and assures that only allowable expenses are charged to a particular program.

The Authorized Signer is responsible for compliance with the policies and procedures established by the Foundation, and with restrictions imposed by the donor.

Specific responsibilities of the Authorized Signer include:

- Authorizes all expenditures and keeping a tight control on expenditure approval authority;
- Keeping accurate, up-to-date records of financial obligations and expenditures;
- Report pending financial obligations to the Foundation on a timely basis; (i.e. purchases, lawsuits, etc.)
- Monitoring computerized, monthly operating reports for accuracy and contacting the internal manager whenever discrepancies occur. (Please note that Foundation records and reports only reflect data that have been processed.);
- Contacting the Internal Manager as soon as possible when there is the need to change the programs purpose, allowable and unallowable revenues and expenditures and authorized signer;
- Assure that appropriate program staff have good working knowledge of this procedure.
- Program information is restricted to the Authorized Signer and report recipients.
- Financial information, such as a program balance, is not given to anyone who is not authorized to receive information.

Program or Gift Agreement

The new fund agreement is used to authorize the establishment of a program for solicitation of donations, investment income and fundraising transactions. This agreement is not to be used for submission of proposals that will result in the award of a grant or contract.

Before an Authorized Signer solicits money for a Program, a Program Agreement should be completed and approved by Foundation Administration and Foundation Management. Program Agreements establish:

- Foundation Program
- Capital Improvement Holding Program Designated/Reserve Program
- Endowment Operating/Permanent
- Scholarship (Endowment/Non-Endowment Related)
- Other Program (not specified above)

See guidelines for Naming and New Projects for information on when a new fund can be opened. Once it is determined that a new fund is needed, please coordinate with the office of Donor Relations and Stewardship to draft one of the following: 1) a gift agreement or 2) a pledge agreement. The gift or pledge agreement with the donor will be the basis for opening the new fund. Donor Relations and Stewardship can then launch an electronic signature request. This can be done in two different ways:

- 1. The donor wishes to sign in person**
- 2. The donor will sign electronically**

It is important to communicate the donor's wishes with Donor Relations and Stewardship so the correct template can be determined at the beginning of the process. The electronic document will be routed for all required signatures. Once the new fund agreement is completed a copy will automatically be sent to the appropriate Foundation Internal Manager. The Foundation internal manager will verify all required signatures are on file, obtain any missing required signatures, will open the new fund in the foundation accounting system, will notify all interested parties (authorized signers, budget analyst, gift processing and donor relations/stewardship) and will file the completed new fund agreement paperwork in the URPA drive.

Program Numbers/Fund Numbers

Foundation Programs, Capital Improvement Holding, Designated/Reserve Program, Endowment Permanent/Operating, and Scholarships are set up in separate funds in the Foundation system. These funds are separated by the criteria of the program for accounting requirements. Fund numbers are:

80	Foundation Programs
80	Capital Improvement Holding
80	Program Endowment Operating
90	Scholarships
90	Scholarship Endowment Operating
90	Scholarships (non-endowment related)
75	Endowments/Permanent Programs

University Advancement assigns program numbers. Once a New Fund Agreement is set up in the Foundation computer system, an e-mail acknowledgment and a copy of the agreement are returned to the Authorized Signer(s) with the program's number. Program numbers are six digits. Scholarship and Operating Endowment numbers have the same numerical sequence as their sister Permanent Endowments, but the last digit is dropped, and a "U" is added to the beginning of the account number. (i.e., 919230 – John Doe Fund for Engineering Scholarships, U19230 – John Doe Engineering Endowment. etc.). Program numbers should be referenced on all documentation sent to the Foundation.

Nature of Source of Funds and Anticipated Expenditures

Defining source of funds and anticipated expenditure guidelines is a very important part of setting up a program. The nature of the source of funds and anticipated expenditure portion of the Program Agreement creates the guidelines for allowable revenues and expenditures. Revenues and expenses that do not comply with the guidelines on the agreement will not be allowed.

It is very important to set up guidelines based on the donors' wishes to accommodate any special limitations, restrictions, types of investments, and/or disposition of funds as required by the donor. Once the program is approved, the revenue and expenditure restrictions set up in the agreement are strictly enforced by the Internal Manager. Changing or updating the source of funds and expenditure guidelines requires approval of University Administration and Foundation Management.

Chart of Accounts/General Ledger Object Code

All accounting transactions (Accounts Payable, Accounts Receivable, Cash Receipts, Journal Entries, Transfers, Purchasing, etc.) are posted to programs using the program number and a general ledger object code. Each transaction dollar amount must have a general ledger program number and object code. These numbers are listed on the program listing and chart of accounts. The chart of accounts lists the G/L object code and the description of the transaction. All G/L lines are 10-digit numbers. The first 6 digits are the program number followed by a 4-digit object code. The object code is broken down into assets, liabilities, reserves, net assets, revenue and expense categories. Asset categories are in the 1000 range, liabilities categories are in the 2000 range, reserves and changes in net asset categories are in the 3000 range, revenue categories are in the 5000 range, expense categories are in the 6000, 7000 and 8000 ranges.

Authorized Signers

The Foundation requires at least two (2) Authorized Signers on an account, one being the Primary Authorized Signer and the Dean or Vice President. The Dean or Vice President has the option of having more than 2 Authorized Signers on any program. An Authorized Signer must be an employee of the Foundation or University. An Authorized Signer has the authority to sign all expenses and documentation submitted to the Foundation as well as the Dean or Vice President. The Authorized Signer must know the purpose of the account and what are considered allowable revenues and expenses. The Dean or Vice President is responsible for all revenues and expenditures approved by an Authorized Signer. All programs must be reviewed and approved by the Division Vice President and the Dean (if applicable).

Access to Reports

The Foundation provides access to program reports via a web enabled digital dashboard for all Program Recipients. Program reports must be reviewed by the Authorized Signor promptly. The Authorized Signer must notify the Foundation within one month after the transaction if discrepancies exist. If the Foundation does not receive any objections to the reported information within a month of the transaction, the reports are deemed to be correct.

Use of University Facilities/Space and/or Time and Effort

In the event that facilities of the University are used for any purpose by this program then the Authorized Signer is responsible on an annual basis to request an invoice from the University to reimburse for the use of the facilities/space and or time and effort from this program, please provide a brief description.

Credit Card Payments Received

Those individuals accepting payments by credit card shall require training per Payment Card Industry Standards and Data Security Standards, please see the Foundation's Policy for Accepting Payment (Credit) Card and Ecommerce for further details.

Disposition of Funds

Please provide information from the donor or from advancement services to determine how any funds remaining in the program are to be distributed or any overdrawn balance to be covered, subsequent to termination or dissolution of the program. The funds can be transferred to another program or endowment in the Foundation, unless the donor specifically restricts how the funds should be used or distributed. In these cases, the transfer must be in compliance with the donor restrictions. If possible, the donor(s) will be contacted by the Division of Advancement.

Identification of an Award as a Gift, Grant or a Contract

Identification of an Award as a Gift, Grant or a Contract:

1. Determination of how an award is defined depends on the type of sponsor and more importantly the terms of the award. All awards that include governmental dollars (Federal, state, or local), fixed-fee service contracts from industry are considered grants or contracts respectively rather than gifts, and shall be administered as such. Sometimes private Foundations also issue solicitations for competitive grant proposals that require specific deliverables and compliance with federal regulations such as human subjects or animal research etc.
2. When the classification of an award is not clear cut, the classification factors identified in Attachment 1, Classifying A Contribution as Gift (G) or Grant/Contract (GC), are used to determine the status of the award.
3. Attachment 1 also identifies the levels of review in establishing the nature of an award as gift or contract/grant. If Director of Research and Sponsored Programs and the Associate Vice President for Development and Authorized Signor agree as to the designation of the award, the award is booked, and no further review will be necessary. If there is a disagreement, the parties will meet with Foundation Management and Vice President for Advancement to discuss the factors and decide on the correct classification. If the award still appears to fall into a gray area, the final arbiters of the designation shall be the Vice President of Administration and the Vice President for Advancement.

Gift vs. Grant:

It is always helpful to develop a better understanding of the funding classification as a gift, a grant or a contract, particularly when received from a non-profit entity such as a foundation, corporate foundation, private organizations or foundations, or a corporation. The guidelines here are intended to assist the campus community with appropriate criteria to determine the classification of the external support. The correct classification is important to enable the university to comply with the terms and condition, if any, specified by the donor or sponsor and also meet the state reporting requirements, properly recovering the CPP's costs such as direct and indirect, monitor the project and report the results as required by funding organization. A table outlining the various aspects for consideration in determining the classification is included below for further clarity.

If the nature of the award is not immediately clear, it is advised, all components of information related to the gift/sponsored project should be reviewed by appropriate participants internally, this may include administrative leadership, development representatives, such as the Director of Foundation Relations, and the Director of the Office of Research and Sponsored Programs (ORSP). This collaborative review will help determine the final classification.

Definitions

A **gift** is the voluntary solicited or unsolicited, non-reciprocal transfer of money or property from a donor to an institution. The donor may be an individual, foundation, private foundation, a corporation or another non-profit organization. The donor does not expect anything of value in return other than recognition and does not have control over expenditures. A gift may meet the interests of the donor and can be restricted or unrestricted.

A restricted gift is a contribution designated for a specific purpose, program or project. If the donor does not specify any restrictions, the gift is unrestricted, and the institution allocates the funds at its own discretion. Only the Cal Poly Pomona Philanthropic Foundation in concert with the Division of University Advancement may accept gifts on behalf of the University.

A **grant** (also known as sponsored program funding, award) is the transfer of money or property from a sponsor (typically a corporation foundation or other organization, rather than an individual) to an institution that may require performance of specific duties such as research, financial (budget) reports, narrative progress reports, and return of unused funds.

Grants can be classified into two categories:

Specific Grant: received by the institution and resulting from a grant proposal submitted by the institution. The institution commits resources or services as a condition of the grant, and the grantor often requests an accounting of the use of funds and of results of the programs or projects undertaken.

Nonspecific Grant: received by the institution and did not result from a specific grant proposal. The institution does not commit specific resources or services and is not required to report to the donor on the use of the funds.

Any funding provided by U.S. Government agencies, at the federal, state, or local level, industry or a Foundation in support of the California State Polytechnic University at Pomona activities is treated as a grant. NOTE: some foundations and corporations use the term "grant" when contribution is technically defined as a gift.

Government funds are not treated as gifts; the payments are generally based on cost-reimbursement. Proposals for such grants as well as contracts (see definition below) must comply with the university policy for Proposal Development and Submission at <https://www.cpp.edu/~research/rsp/policies-and-regulations.shtml>.

The terms on the use of funds are restricted by the budget, the goals and other deliverables approved by the sponsor and the University.

The third category is a **Contract**. A contract is a legal document for a fixed amount of transfer of funds for specific deliverables by an agreed upon deadline. The terms and conditions are formal contractual obligations. The sponsor will typically place restrictions on expenditures and the funding is based on cost-reimbursement. Periodic progress reports, ownership rights to intellectual property, formal reports etc. are some of the typical deliverables. Such contracts are typically between industry or other private sector entities that require services of the university for a fixed fee. These services may include access to the faculty expertise, student projects, access to unique instrumentation for research.

The table below outlines some of the factors for consideration to distinguish between gifts and grants. The presence of any single factor does not represent the condition of gift or grant. To determine if the transfer of funds is a gift or a grant, all of these factors should be considered simultaneously. In cases where there is a question as to whether an activity for which external funding is sought constitutes a grant, contract or a gift please consult with the Director of ORSP or the Director of Foundation Relations in the Office of Advancement.

Levels of Review for Gift vs Grant/Contract Identification

FACTOR TO CONSIDER	GIFT	GRANT
Source	<ul style="list-style-type: none"> • Individuals • Non-Profit Organizations • Corporations • Corporate Foundations • Other Organizations, such as Donor Advised Funds • Family or Individual Foundations are Generally Treated as Individuals 	<ul style="list-style-type: none"> • Government Agencies • Non-Profit Organization • Corporations • Corporate Foundations
Purpose	The donor may specify an area of interest or a goal to be funded by with their gift. An award letter or agreement may be supplied.	The sponsor specifies how the funds should be used, as outlined in supporting documentation (Award letter or grant agreement).
Value Exchange	No implicit or explicit value is exchanged other than recognition and/or reporting.	No implicit or explicit value is exchanged other than recognition and/or reporting.
Reporting	The institution has little or no obligation to report to the donor on how the gift is used or invested. The institution is not prevented from providing such reports, but rather uses the opportunity for donor stewardship. Required reporting is limited to details of how, when and to whom funds were disbursed as well as statements of earning when applicable.	The sponsor requires performance of specific duties such as research, financial (budget) reports, progress reports, and return of unused funds.
Proposal Process	Initiated by donors, advancement staff or faculty members.	Initiated by donors, advancement staff or faculty members (working together with ORSP staff).
Document	Letter of Donation/Gift Agreement or an Award Letter or Agreement	Award Letter and/or Grant Agreement
Deadline/Terms	Typically, no time period is associated with the use of funds	Typically requires a specific time period for conducting projects.
Excess Funds	N/A	May be required to be returned to the sponsor.
Penalty for Non-Performance	No penalties for failing to use the funds	Penalties may exist for failing to use the funds or not delivering the items on a timely basis.
F&A (Facilities and Administrative) Cost Rates	A gift administration fee is applied if allowable by donor	Institutional F&A Rates as administered by ORSP
Fees	Any exchange of fees for service is not a gift	A grant could allow payment for service such as paying faculty for providing training for a corporation's employees

Levels of Review for Gift vs Grant/Contract Identification

