



## KENTUCKY STATE UNIVERSITY POLICIES AND PROCEDURES

**POLICY TITLE:** Interim Policy on Philanthropic Donations from Faculty and Staff

**NUMBER, VOLUME, & SECTION:** 4.1.14

**APPROVED BY:** Acting President Michael D. Dailey, PhD

**EFFECTIVE DATE:** June 20, 2023 [Interim until approved by the Board of Regents—expires 180 days from approval by the President]

**REVISED FROM:** Not Applicable (New Policy)

### **PURPOSE:**

This policy outlines the process for making monetary donations to Kentucky State University and the Kentucky State University Foundation, Inc. (hereinafter referred to as "Foundation") by current employees of Kentucky State University (hereinafter referred to as "University"). It aims to ensure transparency, accountability, and proper financial management in all transactions, in accordance with Internal Revenue Service (IRS) Regulations.

### **POLICY STATEMENT:**

Kentucky State University recognizes and values the support of its faculty and staff in contributing to the University's growth and success. This policy aims to establish guidelines regarding faculty and staff giving to ensure compliance with IRS regulations and to promote transparency and fairness in the allocation of donated funds. Faculty and staff contributions are vital to the growth and success of the University, and this policy ensures that their support is utilized for the benefit of the broader University community.

Faculty and staff may donate funds to Kentucky State University or the Foundation for the purpose of supporting scholarships, programs, research, or other initiatives, provided that the donations are made voluntarily and without any expectation of personal benefit.

Donations made by faculty and staff to the University shall be irrevocable and unconditional (except for restrictions established in a written memorandum of understanding or on current established accounts/funds), indicating that the donor

relinquishes control over the funds and does not expect any personal financial gain or preferential treatment as a result of the donation. Although restrictions may be placed on donations, the University and the Foundation reserve the right to reject any donation that is deemed too restrictive. Further, the University and the Foundation reserve the right to reject any donation for any reason.

In compliance with IRS regulations, faculty and staff donors shall not receive any personal benefit or consideration that could be perceived as a quid pro quo arrangement in exchange for their donations. This includes benefits to immediate family members.

Neither faculty and staff donors, nor their immediate family members, shall have the authority to select the recipient(s) of any scholarship or restricted fund that they personally funded. The selection process shall be conducted by a designated committee or relevant University office, thereby ensuring fairness, transparency, and compliance with University policies and guidelines. The faculty or staff donors, as well as their immediate family members, may sit on a scholarship/selection committee, but they shall not have a controlling/majority vote.

In the event that a faculty or staff member violates this policy by attempting to select the recipient(s) of a scholarship or fund he or she personally funded, appropriate disciplinary action may be taken, which may include but is not limited to counseling, reassignment of responsibilities, or in severe cases, termination of employment, as well as notification to the IRS and the appropriate state agencies.

Kentucky State University shall maintain accurate records of all donations received from faculty and staff, including the purpose of the donation, the donor's name, and any accompanying restrictions or preferences expressed by the donor. If the donation was made to a fund held on behalf of the University at the Foundation, the University shall maintain continuous operational control, per established policy.

The Office of Institutional Advancement shall be responsible for managing donations and shall provide regular reports to the appropriate University authorities on faculty and staff giving at least quarterly, thereby ensuring transparency and accountability in the utilization of donated funds. If an employee believes they have a conflict prior to a donation or a disbursement, he or she should contact the Office of Institutional Advancement for guidance.

The University shall provide appropriate acknowledgement and recognition to faculty and staff donors in accordance with the University's established guidelines for donor recognition. However, such recognition shall be separate from any benefits or preferences related to the donated funds and shall not exceed the recognition received from non-employee donors.

The University shall provide faculty and staff members with information and resources, such as IRS guidelines and University policies, to ensure compliance with applicable regulations and ethical practices when making donations. However, the University will not provide tax advice to any donor. Donors are advised to consult their own tax professionals prior to tendering a donation to the University.

This policy shall be reviewed periodically and revised as necessary to ensure compliance with IRS regulations, changes in the law, and the best interests of the University.

## **RELATED PROCEDURES:**

### *Deposit Documentation and Verification*

- a. Prior to making any deposit, the Office of Institutional Advancement must enter all applicable information into the donor database, providing accurate and detailed information regarding the source, amount, and any supporting documentation, as applicable concerning each employee donation.
- b. The deposit must be verified and signed by the authorized personnel delegated by the University President, or their designee, per established policies. No employee outside of the Office of Institutional Advancement shall directly deposit funds at the Foundation or the University.
- c. Per state retention guidelines and regulations, and for future reference and auditing purposes, the Office of Institutional Advancement must retain copies of any deposit, supporting documentation, and any other related records for all donations, including those made by University employees.

### *Deposit Preparation and Packaging*

- a. Cash: All cash deposits shall be securely packaged, counted, and reconciled in accordance with the University's cash handling policies and procedures. Cash must be in a sealed envelope. Prior to sealing, the person making the deposit must have a second person confirm the amount, and the confirming person must seal the envelope. Both persons must sign and date the envelope. If the second person is not a University Employee, they must record their phone number and email on the envelope when signed.
  - i. No cash will be accepted in a sealed envelope. It must be opened and counted, then resealed using the above procedures.
- b. Checks: All checks received as part of a deposit made payable to the Foundation shall be endorsed with the official Foundation endorsement

stamp (completed by the Foundation and not the University). Checks should be restricted for deposit only to the Foundation's designated bank account. Checks made payable to the University will be deposited at the Bursar's Office by the Office of Institutional Advancement following all established University policies and procedures.

- c. Electronic Transfers: For electronic transfers or other non-cash deposits, the authorized personnel shall ensure proper documentation and reconciliation of the deposited funds. Employees making electronic transfers shall immediately notify the Office of Institutional Advancement for confirmation and tax receipts.

#### Deposit Recordkeeping and Reporting

- a. All deposit transactions to the Foundation and the University shall be accurately recorded in the Foundation's financial records as well as the donor database, adhering to the University's and the Foundation's accounting principles and guidelines.
- b. The Foundation and the authorized KSU personnel responsible for deposits shall promptly submit necessary documentation and reports to the appropriate donors/departments, thereby ensuring transparency and accountability.

#### Deposit Verification and Reconciliation

- a. The Foundation shall implement appropriate verification and reconciliation processes to ensure the accuracy and integrity of all deposit transactions. On a monthly basis, the Foundation shall provide donation receipts as confirmation of deposits, with said receipts reflecting the donor's name, deposit amount, and fund deposited into.
- b. All deposits to the Foundation must be accurately recorded in the Foundation's financial records, adhering to the University's accounting principles and guidelines including, but not limited to, the annual audit, annual donor report, and the annual 990 filed with the IRS.
- c. Regular reviews and audits of deposit records shall be conducted at least quarterly to detect any discrepancies, errors, or potentially fraudulent activities. Any identified issues shall be addressed promptly and reported to the University Board of Regents, the Foundation Board of Directors and appropriate authorities.

#### Disbursement Documentation and Approval

- a. Prior to making any disbursement, the authorized personnel must receive written approval to incur any expenses from a Vice President or the University President.

- b. Once approval is received, the authorized personnel must complete the necessary KSU Foundation Disbursement Request Form, providing accurate and detailed information regarding the purpose, amount, and supporting documentation, as applicable.
- c. The KSU Foundation Disbursement Request Form must be approved by the appropriate Vice President, then the CFO, and finally the University President. The approval process may include obtaining signatures from designated individuals, verifying supporting documentation, and ensuring compliance with relevant policies, procedures, and legal requirements.
- d. The completed KSU Foundation Disbursement Request Form will be provided to the Office of Institutional Advancement to submit to the Foundation. The authorized personnel and the Office of Institutional Advancement must retain copies of the KSU Foundation Disbursement Request Form, supporting documentation, and any other related records for future reference and audit purposes.

#### Disbursement Limits and Donor Restrictions

- a. Disbursements shall adhere to any applicable legal or regulatory requirements. Employees with any conflict must disclose the conflict prior to disbursement.
- b. Special restrictions may apply to specific funds, grants, or donations, as stipulated by donors or granting agencies. Authorized personnel must comply with these restrictions when making withdrawals. The Foundation shall maintain and make available all written restrictions. If no restrictions are on an account, the Foundation shall deem the account Unrestricted, and the University President must grant prior approval to expenditures from Unrestricted Accounts or their designee.

#### Verification and Reconciliation

- a. The Foundation shall implement appropriate verification and reconciliation processes to ensure the accuracy and integrity of all disbursement transactions.
- b. Regular reviews and audits of disbursement records shall be conducted at least quarterly to detect any discrepancies, errors, or potentially fraudulent activities. Any identified issues shall be addressed promptly and reported to the Foundation Board of Directors, the University Board of Regents and appropriate authorities.
- c. All disbursements from the Foundation and the University must be accurately recorded in the Foundation's financial records, adhering to

the University's accounting principles and guidelines.

## **DEFINITIONS:**

**Employees:** Kentucky State University faculty or staff, as well as immediate family members.

**Foundation:** Kentucky State University Foundation, Inc.

**University:** Kentucky State University

## **ENTITIES AFFECTED:**

This policy applies to the KSU Foundation, Inc. and all University employees. It covers all types of monetary donations, including but not limited to cash, checks, electronic transfers, or any other form of financial disbursement.

All employees must adhere to this policy, as well as any other relevant policies, procedures, and legal requirements. Failure to comply with this policy may result in disciplinary action, including but not limited to, warnings, suspension, termination, and legal consequences, as deemed appropriate by the University and/or Foundation.

## **POLICY OWNER/INTERPRETING AUTHORITY:**

Office of Institutional Advancement

## **RELATED POLICIES/DOCUMENTS:**

Gift Acceptance and Donor Recognition Policy

KSU Foundation, Inc. and Kentucky State University MOU

Interim Policy on Foundation Deposits

Interim Policy on Foundation Withdrawals

## **STATUTORY OR REGULATORY REFERENCES:**

KRS 164A.550 to KRS 164A.630 & KRS 273.600 to 273.645