

# Advancement | UCF Foundation, Inc.

## Accounting Guidelines Policy

Policy# 7.10

Effective Date: 06/04/2020

Responsible Department: Accounting

### 1. PURPOSE

This policy outlines certain accounting guidelines at the University of Central Florida Foundation (Foundation) in relation to financial statements, fund accounting, federal and state reporting, compliance, and internal controls.

### 2. APPLICABILITY

All University of Central Florida (University) and Foundation employees.

### 3. POLICY

#### **Overview**

The Foundation and its two blended component units serve as a Direct Support Organization (DSO) for the University, a state university, as provided for in Section 1004.28 of the Florida Statutes and Board of Regents Rule 6C-9.011. The Foundation's principal function is to solicit, receive, hold, invest, and administer charitable contributions for the University. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes pursuant to Section 501(a) of the IRC and Chapter 220.13 of Florida Statutes, except for income from activities not related to its principal function.

#### **Financial Statements**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with government accounting principles generally accepted in the United States of America for business-type activities, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

On an annual basis, the Foundation obtains an audit prepared by independent certified public accountants. The audit is prepared in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The audit

report expresses an opinion as to whether the financial position and results of operations of the Foundation are presented in conformity with US generally accepted accounting principles (GAAP).

On a quarterly basis, the Foundation prepares quarterly financial statements for interim financial reporting purposes. The quarterly financial reports are provided to the UCF Foundation Finance Committee (Finance Committee), and the UCF Foundation Board of Directors (Board). In addition, a variance analysis for significant changes in balances is documented on the reports for review and discussion purposes. The Finance Committee will review and approve the quarterly reports.

## **Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. The Foundation assigns individual projects to one of the three funds: Unrestricted, Restricted (expendable), or Endowed (nonexpendable) for financial statement reporting purposes.

In addition, contributions from donors are used in accordance with donor intent as specified by the donor or by the solicitation materials. In order to maintain and account separately the various donor restrictions to the appropriate donor designated area, the Foundation maintains accounts for the donations in separate projects as follows:

- If a donor restricts the donation to a general operating project for a college/department/division/area of the University, the contribution is credited to the appropriate existing project corresponding with the donor restricted designation. If the college/department/division/area is new, the Foundation will set up a new general operating project to track ongoing future. Expenditures from these projects are used to support the general college/department/division/area to which the contribution was deposited.
- The Foundation will create a new non endowed named project for tracking scholarship gifts and other expenditures if a donor(s) contributes funds in accordance with development policy, currently \$10,000 or more. The criteria related to the use of the funds for scholarship donations is documented in a gift agreement or memorandum of understanding (Agreement) criteria for related use of the funds for other expenditures is documented in the Agreement.
- If a donor makes a one-time contribution in support of a specific expenditure for a college/department/division/area under \$10,000, the contribution will be credited to a general operating project for the college/department/division/area. The Foundation advancement services office will notify the business manager representative for the college of the amount of contribution, the specific donor designation, and the project number so that the college business office can proceed with the purchasing process for the designated expenditure.
- If a donor makes a one-time contribution in support of a scholarship with specific criteria for awarding the scholarship under \$10,000, the contribution will be credited to the college / department / division / area's general scholarship project. The Foundation advancement services office will notify the business manager representative the college of

the amount of contribution, the specific scholarship award criteria, and the project number so that the college business office can proceed with awarding the scholarship.

- The Foundation will create a new endowed named project for tracking endowment gifts if a donor(s) contributes funds in accordance with policy, currently \$25,000 or more. The criteria related to the use of the funds is documented in a formal Agreement.
- If the Foundation receives federal funds directly from a federal government agency, the Foundation may create a new project and will assign the contribution revenue to a separate federal contribution account code. If the amount expended from the federal funds in total exceeds \$500,000 for a fiscal year, the Foundation will be subject to a separate annual federal audit.
- If the Foundation receives state funds directly from the State of Florida, the Foundation may create a new project and will assign the contribution revenue to a separate state contribution account code. Major gift contributions received from the state under the Florida Challenge Grant program may be included in the same project where the private funds are credited. If the amount expended from state funds or from the spending allocated from state funds exceeds \$500,000 in total for a fiscal year, the Foundation will be subject to a separate annual audit under the state of Florida requirements.

### **Internal Controls**

The purpose of internal controls is to ensure that risks relating to Foundation resources, including reliability of financial reporting, are adequately mitigated and managed. Internal controls are an integral part of the existing risk management system and core management practices of the Foundation accounting office. The Foundation strives for a high level of internal control over Foundation assets.

The Associate Vice President and Chief Financial Officer (CFO) is responsible for the internal controls maintained in the Accounting. Accounting requires supervisor review for contributions and expenses over certain dollar thresholds as provided in respective departments authorized approval level documents.

### **Federal and State Reporting and Compliance**

Accounting will comply with federal and state regulations and reporting.

On an annual basis, the Foundation obtains an audit prepared by independent certified public accountants. In addition, compliance with federal and state regulation examples are as follows:

- IRS 990: Form 990 is an annual reporting return that certain federally tax-exempt organizations must file with the IRS. It provides information on the filing organization's mission, programs, and finances.
- IRS 990T and Quarterly Estimated Payments: Form 990-T is an annual reporting form that any domestic or foreign organization exempt under section 501(a) or section 529(a) must file if it has gross income from a regularly carried on unrelated trade or business, of \$1,000 or more.
- State of Florida Form 1120: Corporations and artificial entities that conduct business, or earn or receive income in Florida, including out-of-state corporations, must file a *Florida Corporate Income/Franchise and Excise Tax Return* (Form F-1120) each year

- Independent Audit report of Foundation financial statements submitted to the Board of Governors (BOG)
- Independent audit report on Schedule of Expenditures of State Financial Assistance and Compliance Reports submitted to the BOG and Florida Department of Highway Safety
- Department of Insurance annual reporting on gift annuity compliance
- State Tax collected and remitted to the State of Florida
- IRS 1099 Independent Contractor payment reporting
- IRS 1099- MISC other payments related to cash winnings, etc.
- IRS 1099-R reporting of income for annuity income payments to recipients
- Unclaimed Property reporting to the State of Florida

The Foundation is required to file the Internal Revenue Service forms 990 and 990-T as well as the 1120 state form by the fifteenth (15) day of the fifth (5) month after the close of the fiscal year unless an extension is filed. Since the Foundation receives unrelated business income and reports accordingly, the CFO is responsible for the accurate and timely quarterly estimated payments of federal and state income tax related to this revenue. The payments are made in accordance with federal tax requirements by the fifteenth (15) day of October, December, March, and June and the last day of the fourth, sixth, ninth, and last day of the fiscal year for the state.

### **Other**

For compliance with the State of Florida Challenge Grant program the Foundation’s independent auditors prepare a separate audit report for state funded program activities. For compliance with the gift annuity reporting requirements, Accounting has hired an outside banking custodian to submit payments to annuitants in accordance with the contract requirements, submit annual reporting to the IRS, and perform any required reserve calculations for monitoring in accordance with state regulations.

### **4. CLARIFICATION**

Requests for clarification of this policy should be sent to the Associate Vice President and Chief Financial Officer.

Certified as approved by the Executive Committee of the Foundation Board of Directors on

June 4, 2020 .

***Michael Morsberger*** Signed: Tuesday, June 23, 2020

Name: Michael J. Morsberger

Title: Vice President Advancement and Chief Executive Officer

Revision History:

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Revised: 04/07/2014

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