



## UNCW Resources

### Trust Fund Guidelines

#### I. Sources for University Monies

1. The State through appropriation, contracts or grants
2. The Federal government through appropriation, contracts or grants
3. Customers through charges for materials and services
4. Private sources through gifts, contracts or grants
5. Affiliated organization support through gifts and fund raising activities
6. Investment income earned on endowment gifts
7. Interest earned on trust fund cash balances
8. Rental of real property
9. Royalties on intellectual properties and other licenses
10. Bond and loan proceeds for construction purposes
11. Funds received for others to be maintained in a fiduciary capacity

#### II. Establishing Funds

The Controller's Office is responsible for approving funds. Funds may only be established for the use and benefit of the University in accordance with state rules and regulations.

1. Sales and Service Funds:
  - External Contracts (other than those established by the Office of Contracts and Grants)
  - Self Supporting Auxiliary Enterprises
  - Intercollegiate Athletics
2. Student Activity Funds:
  - Extracurricular Activities of Students
  - Activities supporting Scholarships / Student Activity Programs
3. Gift Funds (other than those established by the Associated Entities Office)
4. Agency Funds

#### III. Trust Funds Authorized by the State

Trust Fund activities must have specific legal authority from the State of North Carolina and the Board of Governors of the University of North Carolina, for the University to engage in such activities. Following is a list of Trust Fund activities that are authorized by the State and UNC by legal citation and activity type:

##### Endowments

Endowment Receipts (G.S. 116-36):

- Gifts, Devises, or Bequests
- Endowment Principal Funds
- Endowment Income Trust Funds

Proceeds From Indebtedness (G.S. 116-41.7):

Debt Funds  
Unexpended Debt Proceeds  
Debt Reserve and Service Trust Funds

Institutional Trust Fund Receipts (G.S. 116-36.1 and G.S. 116-36.5):

Gifts, Devises or Bequests  
Restricted Gift Trust Funds

Contracts and Grant Trust Funds

Federal Contracts, Grants, and Agreements  
Non-Federal Contracts, Grants, and Agreements

Foundation Trust Funds

Discretionary Trust Funds

Extracurricular Activities of Students

Student Activity Fee Trust Funds  
Activities Supporting Scholarships/Student Activity Programs

Instruction and Public Service Trust Funds

Self-Supporting Auxiliary Enterprises

Auxiliary and Related Trust Funds

Special Fund Receipts (G.S. 116-36.2):

Agency Funds

F&A Receipts (Session Law 1999-237):

F&A Receipts Trust Funds

**Sales and Service Type Activities**

These funds include receipts from the operation of auxiliary service enterprises which exist primarily to furnish goods and services to students, faculty and staff, and institutional programs, and may include sales and services to external parties. Except for permissions provided within the State's Umstead Act, the University is prohibited from entering into sales and service activities that compete with private enterprises.

Sales and Service activities may either be accounted for (1) as receipts in an appropriated receipt fund or (2) in a Trust Fund. If approved by the University Controller, a Sales and Service activity can be considered a Trust Fund activity. For the Sales and Service activity to be considered a Trust Fund, the following criteria must be present and maintained:

The activity must be self-supporting.

- (1) funds all its direct operating costs
- (2) not supported by a state subsidy
- (3) maintains a positive cash balance

External sales and service activities must be supported with properly executed university contracts with terms and conditions provided in writing and agreed to by both parties. Contracts for research purposes should be treated as a Contract and Grant activity unless authorized by the Office of Sponsored Programs. Other contracts for community service purposes could be treated as a sales and service activity if not in competition with a private enterprise. Activities classified as a Trust Fund must have a positive cash balance at all times unless specifically authorized to carry negative balances by University policy.

All Sales and Service activities are subject to State rules and regulations whether they are accounted for in a state-appropriated receipt project or in a Trust Fund. Certain exclusions are provided for Sales and Service Trust Fund activities benefiting students and for the promotion of sales activities. Sales and Service activities for rental of space that is maintained and supported by state funds must be accounted for in a State Appropriated Receipt project and may not be receipted in a trust fund or a related foundation.

**Gifts**

Gifts include all unrestricted and restricted gifts received from individuals, non-governmental organizations or other organizations. All gifts should be routed to the University Advancement or acceptance

Gifts to the Endowment Fund of the University are first processed through development officers in Advancement and, if approved, are set up and sent to the University Controller's Office for review and approval of the trust fund authority. Endowment agreements with donors must use

the University's recommended language for standard endowment paragraphs and must meet the minimum endowment funding levels as established by the Board of Trustees.

The characteristics of a gift are that it (1) is given voluntarily, (2) does not impose on the University any responsibility, either written or verbal to generate a tangible product or service, such as a report of research results, and (3) is not considered an exchange transaction or contract where something of like value is provided in return for the gift receipt.

Unless exempt, organizations doing fundraising are required to be licensed by the North Carolina Secretary of State. Generally, NC state universities and its foundations are exempt under G.S. 131F.

Generally, gifts fall into two broad categories including (1) funds received to support the educational, research, and extension programs of the University and (2) funds received which may be used at the discretion of the account custodian, to support any legal activity in support of a specific department, college, or the University. In either case, the funds should not be used to personally benefit the account custodian or for non-university business purposes.

Gifts are subject to the donor's requirements. Expenses incurred from gift funds must be supported by the budget authority with adequate documentation to ensure compliance with the donor's restrictions and / or conditions. In addition to the gift component, occasionally fundraising activities may generate a sales income component and include activities such as alumni events or fund raising.

The sales component should be accounted for as a miscellaneous sale. The sales income component represents funds received for which something of like value was exchanged. When a sales component is involved, the cost of the exchange must be paid from funds available from the fundraising activity.

The proceeds from all fundraising activities must be deposited into the legal entity from which they were marketed and/or solicited. Examples of marketing or solicitation methods include flyers, brochures, websites, email communication, etc. In order for such funds to be deposited into a foundation project, the marketing materials must clearly and predominately include mention that the activity is sponsored by the foundation. Failure to properly market such activities as foundation sponsored, will require that the funds be deposited and accounted for in a University trust fund.

#### **External Conferences and Workshops**

Generally revenues associated with external conferences and workshops should be receipted into an appropriated receipt project. The authority for this comes from specific memorandums from the UNC Office of the President and the Office of State Budget and Management

Fees or charges assessed to cover entertainment costs associated with external conferences/ workshops and included as part of the registration fee may be recorded together or be shown separately. If shown separately, the collection for entertainment costs should be deposited into a "Special Activities, Extension, Instruction, and Public Service" Trust Fund established by the University Controller for this cost objective. If comingled, the total amount collected should be deposited into an appropriated receipt. The amount needed to cover the entertainment costs should be transferred to a "Special Activities, Extension, Instruction, and Public Service" Trust Fund established by the University Controller's Office for this cost objective. Any remaining funds in a "Special Activities, Extension, Instruction, Public Service" Trust Fund, after all entertainment costs have been paid, should be transferred to the appropriate appropriated receipt fund.

However, in certain cases, external conferences or workshops may be accounted for in a Trust Fund. These cases include conferences or workshops conducted as a result of (1) an external contract or grant that meets the criteria for a Sales and Service Trust Fund, (2) activity sponsored or associated with program income related to gifts or contracts and grants, or (3) activity sponsored or accounted for through an agency fund. Activity meeting these cost objectives should be accounted for in a Trust Fund.

#### **Agency Funds**

Agency fund activities include monies received by the University for the benefit of students, employees, or others where the University acts solely in a fiduciary or agent capacity to safeguard, account for and expend funds as directed or instructed by the owner. These funds are considered to be held in trust for others. These funds are not considered to belong to the University but belong to those for which the project was established and, if requested, would be returned to the owner. Transactions recorded as revenue and expenses are not actual revenue and expense to the University but rather increases and decreases in the cash and liability accounts.

Due to their fiduciary nature, agency funds will always be a part of the University's Trust Funds. Expenditures are based on the depositor's requirements and, if provided for in the agreement with the owner, funds left over after the owner's objective is met, could be retained by the University. Unexpended funds remaining that are given to the University would be treated like a gift and moved to an appropriate gift Trust Fund.

Agency funds are subject to the owner's requirements. Disbursements from agency funds must be supported by the fund budget authority with adequate documentation to ensure compliance with the owner's restrictions and / or conditions.

#### **IV. Requesting Trust Fund Authorities**

##### **V. Trust Fund Authority Requirements**

Budget Authorities must adhere to certain terms and conditions over the operation and use of Trust Funds. These terms and conditions are provided or attached by reference in the fund authority letter. These terms and conditions provide that:

- Trust funds must, at all times, maintain a positive balance unless prior approval has been obtained from the Controller.

- Trust funds must be used specifically for the purposes approved and may not accrue personal benefit to University employees or their relatives. All expenditures of the trust fund must be for the business purposes established.
- Sales and Service Trust Funds must follow the same spending guidelines as those for State appropriated funds or as specified in the University spending guidelines.
- Expenditures for alcoholic beverages should be strictly limited and can only be paid from discretionary funds. Such expenditures require specific written
- Payment requests for food must include the appropriate documentation and the approval of the appropriate budget authority and Dean, or Vice Chancellor.
- Expenditures for member dues in civic or political organizations, clubs, or like organizations are not permitted from any University funding source. Memberships in professional organizations are permitted when the membership is for a business reason and in the name of the University or at the convenience of the University and not the individual. Memberships in social or university-affiliated” and must be paid from exempt funds.
- The principal person responsible for a trust fund is responsible for reporting changes in the status of the project to the Controller’s Office, including changes in responsibility for the fund, when the fund becomes inactive, or when the original purpose changes.
- Entertainment meals for development of gifts or recruitment purposes are treated as non-travel meals under the “Business Meetings with University Guests and Other Individuals External to the University” and must be paid from non-state appropriated exempt funds.
  - Expenditures for food at external conferences / workshops for coffee breaks/meals that are accounted for in appropriated receipt funds may be paid if such expense is (1) part of the event’s planned functions and State budget requirements are met for sponsoring the event, and (2) a registration fee is charged inclusive of meals and other related costs of the event.
  - Per UNC-GA Regulation 600.2.5.2[R], an associated entity may not offer a course or seminar in which the University’s name is used without first obtaining permission from the institution.
- Sales and Service Trust Funds must be self-supporting.
- The budget authority fund has the responsibility to ensure that proper documentation procedures are followed and to ensure that only authorized expenditures are made from the trust fund. Unauthorized expenditures must be resolved timely.
- The budget authority is responsible for ensuring good business practices (internal controls) over the authorizing, processing and recording of transactions and safeguarding of assets and records. Good business practices include:
  - Proper Segregation of Duties – more than one person should be involved with the accounting functions (authorizing, processing and recording).
- Monthly Reconciliations – the trust fund monthly activities as recorded are supported with documentation and reviewed by budget authority or designee.
- Proper Supervision – activities are supervised. Supervision provides for the direction, oversight, and assurance that control activities are met and for the management and mitigation of staff limitations/weaknesses.
- Training – persons involved with the activities should be properly trained and knowledgeable as to the use of the financial system, the University’s policies and procedures, expenditure guidelines, and good business practices.
- Proper Supporting Documentation – transactions should be supported with adequate supporting documentation including invoices, purchase orders, requisitions, and receiving reports.
- Annual Reviews – trust fund balances are reviewed annually to determine that unexpended balances are not excessive. Unexpended balances determined to be excessive should be used to expand services or to reduce subsequent billings.

## **VI. Negative Trust Fund Balances**

All trust fund owners and their administrative support establish internal procedures to review their fund balances and take appropriate action to ensure their trust funds have a positive fund balance at the end of the monthly report cycle. The controller’s office will notify owners if negative balances exist and will require affirmation and correction from the owner of the fund.

The following trust funds are exempt from this administrative procedure:

- Administrative Clearing/Processing Funds
- Contract and Grant Funds

- Foundation or Endowment Funds
- Scholarship Funds
- Debt or Construction Funds
- Other Funds Specifically Approved to Carry a Deficit

## **VII. Sales and Service Trust Fund Activity Reviews**

### **Sales and Service Trust Funds**

These funds are material to University financial statements and directly affect the unrestricted net assets, therefore, these funds are subject to addition analysis by the University Controllers office.

This review determines revenue streams for new funds where salaries and expenses are reasonable in relation to the revenues and for ongoing materials that the revenue and expenditure activity is reasonable in comparison to prior years. Additionally, the revenue streams are analyzed to determine whether there is adequate support in planned operations and if it is necessary to increase or decrease rates to pass on to University internal customers.

Annually the University Budget Office performs midyear reviews on selected auxiliary sales and service departments as well as funds supported by student fee revenue. This review evaluated current and projected revenue of the operation and the associated budget.

### **VIII. Reporting Changes to Existing Trust Funds**

Trust fund custodians are required to review their funds for any changes and/or updates in budget authority, changes in revenue sources as it relates to initial trust fund origination information. If changes or variances are noted, the custodian/budget authority are required to submit fund change form to the Controller's office.

#### **For All Trust Funds:**

- Change in Custodian
- Change in Department
- Change in Revenue Sources
- Change in Expenditure Purpose or Cost Objective
- Change in Activity Status

#### **For Sales and Service Trust Funds**

- Change from Internal to External Customers
- Change in Self-Supporting Status

New external contracts for research activities must be approved through the Sponsored Research Office prior to entering into such activities. If the activity is considered by Sponsored Research to be a Sales and Service Activity versus a Contract and Grant Activity is completed and sent to the University Controller's Office for determination of the Fund Authority.

Fund custodians are responsible for termination of trust funds which are no longer required. The University Controller's Office will periodically review funds with no activity and work with the Trust Fund custodians to determine proper action related to a Trust Fund's inactivity.

Fund custodians have the responsibility to ensure that proper documentation procedures are followed for their funds, and to ensure that only authorized expenditures as fund establishment specifies. Any unauthorized expenditures posted to the fund be promptly corrected and, if necessary, reported. Further, fund custodians/budget authorities are responsible for exercising appropriate care in reviewing transactions that result in expenditure from any of their funds.

## **IX. TRUST FUNDS EXEMPT FROM STATE RULES AND REGULATIONS**

Generally, Trust Funds are subject to State rules and regulations unless exempted in the Trust Fund Authority by the University Controller. Exemptions may be available for food, promotion expenses, scholarships and purchasing. Exemptions are given for various reasons as follows:

- Gift Trust Funds are generally exempt from State rules and regulations. However the spending of gift funds is subject to all conditions and restrictions required by the donor and (1) must be for the benefit of the University and (2) not for the personal benefit of an employee.
- Agency Trust Funds are exempt from State rules and regulations. However, the spending of agency funds is subject to all conditions and restrictions required by the owner.
- Student Activity Funds are generally subject to State rules and regulations but may have exemptions for food for student events or promotion of student activities.

- Sales and Service Funds are generally subject to State rules and regulations but may have exemption for food for student events, promotion of sales activities, student scholarships and expenditures that support student activities that are related to the Trust Fund's purpose or cost objective.

Foundation spending funds are actually established for the convenience of the University and the affiliated foundations. These are separate funds are authorized by Associated Entities Office for spending as designated by the various foundations' boards of directors or donors. Expenditures from the foundation spending are subject to the conditions and restrictions placed on them by the various foundations or donors.

Expenditures for alcoholic beverages should be strictly limited and must have the signature of the appropriate director and be paid from funds that are sufficiently broad in purpose and limited in restriction. Expenditures for alcoholic beverages are prohibited from Sales and Service Trust Funds and other funds subject to the State rules and regulations. Expenditures for alcoholic beverages may only be made in accordance with the rules provided for in the fund establishment creation form related to entertaining outside guests.

Expenditure for food, supplies, or refreshments for departmental receptions, office functions, student orientation functions, coffee breaks at employee workshops or seminars, and like events must include the appropriate documentation and the approval from the appropriate Department Head, Center/Unit Director, Dean or Vice Chancellor. Expenditures for food, etc. are prohibited from Sales and Service Trust Funds and other

Appendix A - State Rules and Regulation over Trust Fund Receipts by the University

A-1 Umstead Act

A-2 Trust Fund Legislation

A-3 UNC Policies and Procedures on Institutional Trust Funds and Special Funds

A-4 Official Memorandums on Trust Fund Policy and Law

## STATE RULES AND REGULATIONS OVER FUNDS RECEIVED BY THE UNIVERSITY

### A-1 UMSTEAD ACT RESTRICTIONS

The University is subject to legislation governing the authority of State agencies and institutions to engage in business activities that are considered in competition with private enterprises. This legislation is called **the Umstead Act – (G.S. 66-58) "Sale of Merchandise or Services by Governmental Units"**

<http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=66-58>.

### A-2 TRUST FUND LEGISLATION

The authority for the establishment of trust funds by the University is granted through the legislative process. **Chapter 116, Article 1 of the General Statutes**

[http://www.ncga.state.nc.us/enactedlegislation/statutes/html/bychapter/chapter\\_116.html](http://www.ncga.state.nc.us/enactedlegislation/statutes/html/bychapter/chapter_116.html) provides the legal requirements, corporate powers, rights and duties of the University of North Carolina System. Following is a discussion of the legislation providing for the establishment of trust funds by the University.

#### General Statute 116-36 "Endowment Funds"

<http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=116-36>

provides the legal authority to the board of trustees of each constituent institution to establish and maintain, pursuant to such terms and conditions, uniformly applicable to all constituent institutions, as the Board of Governors of the University of North Carolina may from time to time prescribe, an endowment fund and shall establish an investment board known as "The Board of Trustees of the Endowment Fund of (name of University)". The board of trustees shall be responsible for the prudent investment of the fund. Any gift, devise, or bequest of real or personal property to the University shall be presumed, nothing to the contrary appearing, a gift, devise, or bequest, as the case may be, to the endowment fund of the University. Proceeds from any endowment fund shall not take the place of State appropriations or any part thereof but rather shall supplement the State appropriations to the end that the institution may improve and increase its functions, may enlarge its areas of service, and may become more useful to a greater number of people.

#### General Statute 116-36.1 "Regulation of Institutional Trust Funds"

[http://www.ncga.state.nc.us/enactedlegislation/statutes/pdf/bysection/chapter\\_116/gs\\_](http://www.ncga.state.nc.us/enactedlegislation/statutes/pdf/bysection/chapter_116/gs_)

provides the legal authority for the University to establish institutional trust funds. This legislation was created by the 1977 General Assembly and places responsibility for the custody and management of university institutional trust funds with the University of North Carolina Board of Governors. Subsection (a) of the statute directs the Board to adopt uniform policies and procedures over the administration of the institutional trust funds that would ensure that the receipt and expenditure of such funds are properly authorized and that the funds are appropriately accounted for. These uniform policies and procedures are discussed further under the caption **"UNC POLICIES AND PROCEDURES ON INSTITUTIONAL TRUST FUNDS AND SPECIAL FUNDS"**.

Subsection (b) of the statute requires that institutional trust funds be deposited with the State Treasurer and held in the name of each university. Subsection (c) of the statute provides that the University's State Treasurer Account and interest earned on its deposits are available for expenditure without further authorization from the General Assembly. Subsection (h) allows the Board to designate an official depository for trust funds defined below in (g)(7) in one or more banks or trust companies in this State. Provided, however, such deposits are fully secured by deposit insurance, surety bonds, or investment securities of such nature, in such amounts, and in such manner as prescribed by the State Treasurer for security of public deposits generally. Subsection (d) of the statute provides that the institutional trust funds are subject to the oversight of the State Auditor but are not subject to the provisions of the Executive Budget Act except for capital improvement projects that are

subject to G.S. 143-18.1. Subsection (e) of the statute requires the submission of reports as directed by the Director of the Budget. Subsection (f) of the statute provides that the trust funds or investment income therefrom shall not take the place of State Appropriations and shall be used to supplement State Appropriations to the end that the institution may improve and increase its functions, may enlarge its areas of service and may become more useful to a greater number of people. Subsection (g) defines trust funds as follows:

1. Moneys, or the proceeds of other forms of property, received by an institution as **gifts, devises, or bequests** that are neither presumed nor designated to be gifts, devises, or bequests to the endowment fund of the institution;
2. Moneys received by an institution pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof;
3. Moneys received by an institution pursuant to **grants from, or contracts with, any State agencies, and political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the institution undertakes, subject to terms and conditions specified by the entity** providing the moneys, to conduct research, training or public service programs, or to provide financial aid to students;
4. Moneys collected by an institution **to support extracurricular activities of students** of the institution;
5. Moneys received from or for the operation by an institution of activities established for the benefit of **scholarship funds or student activity programs**;
6. Money's received from or for the operation by an institution of any of its **self-supporting auxiliary enterprises**, including institutional student auxiliary enterprise funds for the operation of housing, food, health, and laundry services;
7. Money's received by an institution in respect to **fees and other payments for services rendered by medical, dental, or other health care professionals** under an organized practice plan approved by the institution or under a contractual agreement between the institution and a hospital or other health care provider;
8. The **net proceeds from the disposition effected pursuant to Chapter 146, Article 7, of any interest in real property** owned by or under the supervision and control of an institution if the interest in real property had first been acquired by gift, devise, or bequest or through expenditure of moneys defined in this subsection (g) as "trust funds," except the net proceeds from the disposition of an interest in real property first acquired by the institution through expenditure of moneys received as a grant from a state agency;
9. Moneys received from the **operation and maintenance of institutional forests and forest farmlands**, provided, that such moneys shall be used, when used, by the institution for the support of forest-related research, teaching, and public service programs.

Subsection (i) of the statute provides that Subsection (i) of the statute provides that the cash balances and receipts of funds identified in the G.S. 116-36.1 are appropriated to the use of the University of North Carolina and its constituent institutions.

#### **General Statute 116-36.2 "Regulation of Special Funds of Individual Institutions"**

[http://www.ncga.state.nc.us/enactedlegislation/statutes/html/bysection/chapter\\_116/gs\\_116-36.2.html](http://www.ncga.state.nc.us/enactedlegislation/statutes/html/bysection/chapter_116/gs_116-36.2.html) provides the legal authority for the chancellor of each institution to have custody and manage the institution's special funds. It provides that the Board of Governors shall adopt uniform policies and procedures applicable to the administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. Special funds of an institution include:

- Moneys received from or for the operation by an institution of its program of **intercollegiate athletics**;
- Moneys **held by an institution as fiscal agent** for individual students, faculty, staff members, and organizations.

#### **General Statute 116-41.7 "Proceeds of Bonds, Revenues, Etc., Deemed Trust Funds"**

[http://www.ncga.state.nc.us/EnactedLegislation/Statutes/PDF/BySection/Chapter\\_116/GS\\_116-41.7.pdf](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/PDF/BySection/Chapter_116/GS_116-41.7.pdf) provides the legal authority for the proceeds of all bonds issued and all revenues and other moneys received pursuant to the authority of this Part shall be deemed to be trust funds, to be held and applied solely as provided in this Part. The resolution authorizing the issuance of bonds shall provide that any officer to whom, or bank, trust company or fiscal agent to which, such moneys shall be paid shall act as trustee of such moneys and shall hold and apply the same for the purposes hereof, subject to regulations as such resolution may provide.

**Session Law 1999-237, Appropriation Bill, Section 10.13 "UNC Overhead Receipts"** provides the legal authority for F&A receipts earned by constituent institutions of The University of North Carolina to be retained at the campus earning the receipts.

#### **Session Law 2001-424, Appropriation Bill, Section 15.1.(b) "State Agencies to Report on Intellectual Property/Study State Intellectual Property Assets and Technology Transfers"**

Provides that the provisions of this section do not apply to the University of North Carolina and its constituent institutions, or to the North Carolina Community Colleges System, or to employees of these respective institutions who are subject to the intellectual property and inventor policies of the institutions employing them

### **A-3 UNC POLICIES AND PROCEDURES ON INSTITUTIONAL TRUST FUNDS AND SPECIAL FUNDS:**

As required by General Statute 116-36.1(a) and 116-36.2, the Board of Governors of the University of North Carolina has established uniform policies and procedures for the administration of institutional trust funds and special funds of individual institutions. These policies and procedures are provided in the **UNC System Administrative Policy and Procedures Manual, Chapter VI "Financial Matters, Endowment and Trust Funds", Section A.** [http://www.ga.unc.edu/publications/admin\\_manual/](http://www.ga.unc.edu/publications/admin_manual/)

Following is a summary and discussion of the UNC policies and procedures on institutional trust funds:

#### I. General Provisions

- A. Trust Funds are not to substitute for state appropriations (Neither the funds covered by these policies and procedures nor the investment income there from shall take the place of state appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement state appropriations to the end that the institution may improve and increase its functions, may enlarge its areas of service, and may become more useful to a greater number of people)
- B. Presumption that receipts belong to the General Fund (state appropriated funds) unless shown otherwise (unless the chancellor can show that the moneys fall within one or more of the items listed in Section II.A, or except as otherwise provided by or pursuant to law, all moneys received by or accruing to the institution shall be deemed institutional receipts within the meaning of the Executive Budget Act and shall be deposited with the State Treasurer to the credit of the General Fund)
- C. Accounting (the chancellor establishes and maintains an accounting system for trust funds subject to the approval of the State Controller)
- D. Internal Control (the chancellor institutes control procedures with respect to handling funds as necessary to prevent misappropriation or mishandling)
- E. Pre-audit of disbursements (bills and claims must be approved by the officer or employee authorized to initiate disbursements from the account)
- F. Facsimile signatures (chancellor may use facsimile signature machines or signature stamps in signing checks, drafts and warrants) provided by or pursuant to law, all moneys received by or accruing to the institution shall be deemed institutional receipts within the meaning of the Executive Budget Act and shall be deposited with the State Treasurer to the credit of the General Fund)

#### II Institutional Trust Funds

- A. Applicability (items 1 to 9 are the same as G.S. 116-36.1(g))
- B. Delegation of authority (to the chancellor of each institution under the supervision of the president)
- C. Agency Fund Authorities (the president approves for each institution)
- D. Institutional Trust Fund Authorities (the president approves for each institution one or more Institutional Trust Fund Authorities for each of the following categories as may be appropriate to that institution's operations:
  - 1) Gifts, devises and bequests (same as section II.A. (1))
  - 2) Federal contracts, grants and agreements (same as section II.A.(2))
  - 3) Non-federal contracts and grants (same as section II.A.(3))
  - 4) Student extracurricular activities (same as section II.A.(4))
  - 5) Activities supporting scholarship funds and student activity programs (same as section II.A.(5))
  - 6) Self-supporting auxiliary enterprises (same as section II.A. (6))
  - 7) Fees for services of health care professionals (same as section II.A.(7))
  - 8) Dispositions of real property (same as section II.A.(8))
  - 9) Institutional forests and forest farmlands (same as section II.A.(9))

Each Institutional Trust Fund Authority shall contain the following information:

- 1) The name of the institution

- 2) The source(s) of the moneys to be credited thereunto
- 3) The purpose(s) for which the moneys credited thereunto may be used
- 4) The position or individual authorized to receive moneys to be credited thereto and to disburse them

Upon the approval of the president, the Institutional Trust Fund Authority shall be transmitted to the chancellor of the institution and a copy shall be filed among the permanent records of the president's office. When established as provided therein, the Institutional Trust Fund Authority shall constitute authorization for the institution to receive and disburse the moneys described therein in accordance with the purposes stated, subject to the provisions of G.S. 143-18.1 with respect to capital improvement projects.

E. Subsidiary Account Authorities (For each account within one of the categories described in Section II.D, the chancellor is authorized to approve an account authority containing the following information:

- 1) The Institutional Trust Fund Authority within the account is established
- 2) The name of the account and its accounting designation
- 3) The source of the moneys to be credited thereto
- 4) The purpose of the account, including any specific restrictions, terms or conditions on the use of the moneys credited thereto
- 5) The position or individual authorized to accept receipts and initiate disbursements from the account.

Each account authority for institutional trust funds authorized by the chancellor shall be filed among the permanent records of the office and it shall constitute authorization for establishment and operation of the account in accordance with the purposes stated therein.

F. Deposit to and disbursement from institutional trust fund accounts (except as provided in Section II.I, all moneys within the categories described in Section II.A shall be deposited with the State Treasurer. Disbursement of such moneys shall be accomplished by warrant on the State Treasurer issued by the person designated in the Institutional Trust Fund Authority upon voucher or requisition of the person designated in the Institutional Trust Fund Authority or the subsidiary account authority as appropriate. No disbursement shall be made for a purpose not specified in the appropriate fund or account authority or contrary to any specific restrictions, terms or conditions on the use of funds.)

G. Allocation of investment income (investment income credited to an institution's Agency Fund by the State Treasurer as provided in Section II.D. may be used for institutional support purposes in such a manner as the president shall approve.)

H. Financial reports (financial reports on the Institutional Trust Funds shall be submitted by the chancellors to the State Budget Officer, the president and the local Board of Trustees of the institution. The frequency, form and content of the reports shall be prescribed by the president, in accordance with the requirements of the Director of the Budget.)

I. Fees for services of health care professionals (funds identified in Section II.A.(7) shall be deposited in an official depository of the institution or held by the State Treasurer)