

ILLINOIS STATE UNIVERSITY FOUNDATION CASH DISBURSEMENT GUIDELINES

The Constitution of the Illinois State University Foundation ("Foundation") requires Foundation funds to be administered "with the primary objective of serving the educational purposes of the University." The Foundation is obligated to ensure all contributed monies are expended in alignment with its charitable purpose as interpreted by the Foundation. Donors may direct the use of contributions to specific purposes when there is no benefit to the donor.

The Foundation's Cash Disbursement Policy and Guidelines ensures the Foundation upholds its fiduciary responsibility to its donors articulating the standards by which Foundation disbursements may be made. The Foundation's Cash Disbursement Guidelines outline the internal standards by which cash disbursements are evaluated and processed.

General Guidelines

The Illinois State University Foundation solicits, holds, and distributes private support solely for the benefit of Illinois State University ("ISU" or "University"). The Cash Disbursement Guidelines originate from the various legal and administrative constraints within which the Foundation operates, as well as internal procedures intended to support the fiduciary function of the Foundation and to coordinate with University policies.

Fiscal agents are individuals within the ISU community placed in charge of managing and spending Foundation funds that donors contribute for a specific purpose. Fiscal agents must be full-time faculty or staff members of the University. Fiscal agents assume **full responsibility** for the accuracy and validity of expenditures from their departments' funds, including the appropriateness of the disbursement request. Foundation officials may return unpaid vouchers to the fiscal agent when additional information is needed or when requests are for inappropriate expenditures.

Accountable Plan

The Foundation has an Accountable Plan. The term "Accountable Plan" was developed by the Internal Revenue Service ("IRS") (*see reg. 1.62-2(f)*) to set forth rules that define legitimate expense reimbursements and require submission of original documentation.

A qualified Accountable Plan requires that expenditures

- 1) Have a documented business purpose and be incurred while performing services in an official University capacity.**
- 2) Be submitted for reimbursement within a reasonable period of time.**
- 3) Any excess reimbursement or allowance must be returned within a reasonable period of time.**

The Foundation will not make any payments to University employees who do not qualify for Accountable Plan payments, nor will payment be processed if any of the three elements of an Accountable Plan are missing.

Required Documentation

All disbursement requests must include clear documentation indicating the University purpose or project for which the expense was incurred. Documentation should define the nature of business discussed, as well as identify the relationship of the parties attending (name, title, and business relationship e.g. faculty, staff, vendor etc). Because the IRS may view a disbursement as providing a personal benefit, the

importance of properly documenting the business purpose of the expenditure cannot be overstated. Even though the business purpose may be implied, it must be specifically documented.

There are two voucher forms used for requesting payments by the Foundation: (1) [Voucher](#) for nontravel expenses, and (2) Travel voucher. Vouchers are reviewed daily and reimbursement checks are issued once per week. Typically, eligible vouchers received by the Foundation (Campus Box 8000) by 10:00 a.m. Tuesday will be paid during the same week.

Receipts

The Foundation reimburses actual expenses incurred by employees conducting business activities. The Foundation does not reimburse on a per diem basis. Reimbursements for actual and reasonable expenses will be made from **original documentation**. If the original documentation is not available, the individual must make every effort to get a duplicate copy. If a duplicate cannot be obtained, the individual should complete an [ISU Foundation Affidavit](#).

Original itemized receipts for credit card purchases must accompany statements when seeking reimbursement. Credit card statements are not sufficiently detailed to provide adequate supporting documentation for a reimbursement request but should be included with the original receipt as proof of purchase. Even in cases where a "ticketless" system is used in air travel or other travel methods, a receipt or confirmation statement noting the cost of the travel must be obtained from the carrier or travel agent and is required for reimbursement.

Partial Reimbursement from University Sources

The Foundation requires original receipts except in the case where an employee is reimbursed for a portion of the expenses from State of Illinois sources. In these instances, a copy of the receipt and a copy of the University reimbursement form must be submitted with the Foundation voucher. Any item not clearly identified will not be reimbursed.

Lavish or Extravagant Expenses

As a tax-exempt organization, the Foundation is responsible for determining whether to reimburse, not to pay, or to reduce payments for expenses that appear unreasonable and unjustified. Paying or reimbursing for "lavish" or "extravagant" expenses is unacceptable. These Internal Revenue Service terms are used in *Internal Revenue Code Sec. 162* and repeatedly utilized in other IRS documents to describe expenses that are deemed nondeductible because a reasonable person would consider the expense to be much higher than expected.

If an expense is deemed to be lavish or extravagant, the Foundation will seek input from the appropriate Vice President as to the nature of the expense submitted. If the expense is justified, he/she must provide an original signature on the payment voucher to certify the appropriateness of the expenditure request. Such certification is an important financial control to help protect the Foundation from unauthorized and/or inappropriate uses.

Faculty and Staff Awards and Bonuses

Payments made to University employees as bonuses or awards, or for services in excess of their usual duties must be included on the employee's Form W-2. All such payments must be made through the University payroll system, after which the ISU Foundation may be asked to reimburse the University from the appropriate account. When Foundation funds are used to pay employees, the fund will be charged for the salary and the related benefits. If you have questions, please contact the University payroll office prior to submission.

Gifts for Employees

Regardless of the type or value of the gift, including meals, Foundation funds **cannot** be used to purchase personal gifts, such as those for Administrative Professional Day, Boss's Day, retirement, birth, marriage, etc. These items provide a personal benefit to the recipient and are not considered business-related as defined by IRS regulations. Because the Foundation is tax exempt under *IRC Sec. 501(c)(3)*, it must use its funds only for tax-exempt purposes. If Foundation funds are used to provide a "personal benefit," both the Foundation and the person authorizing the expenditure from the Foundation fund may be subject to "intermediate sanctions" from the Internal Revenue Service (*Taxpayer Bill of Rights 2 law*).

Gift cards

Gift certificates/gift cards are considered cash equivalents by the IRS and, therefore, are considered taxable income to the individual. The Foundation does not pay for cash equivalents, and requests for purchases of gifts or payment towards gift cards will not be considered.

Seasonal/Holiday Events

Department seasonal/holiday gatherings and events of a purely social nature cannot be supported by Foundation funds. Refreshments provided as part of a business meeting or activity may be reimbursed provided the business conducted represents the core of the meeting agenda and takes most of the meeting time. The business purpose must not be incidental.

Expenses related to retirement celebrations are not eligible for reimbursement through the Foundation.

Donor Events Coordinated/Organized within the College or Unit

Events held in recognition of individuals whose support is critical to the mission of the University may be considered for reimbursement provided the following:

- The attendees are primarily major donors and friends of the University; students, faculty, and staff may be included as necessary to interact with the donors.
- The expenses are not lavish or extravagant.
- The invitation and/or acknowledgement must clearly indicate that the event is supported by the ISU Foundation on behalf of the specific department/unit/college, etc.

General Department School/College Meetings

Foundation funds may be used to pay expenses for current employees, faculty, and staff involved in attending staff meetings and luncheons if held in a generally recognized meeting location and not considered lavish or extravagant.

Non Allowable Expenditures:

Foundation funds **will not** be expended for any activity or purpose that

- Does not directly support Illinois State University.
- Jeopardizes the Foundation's status as a 501(c)(3) Charitable Organization.
- May involve or create liability exposure for Illinois State University.
- Is not considered a customary or reasonable expense incurred while conducting University business.

Examples of expenditures that may not be paid from Foundations funds include, but are not limited to:

- Personal expenses (e.g., meals, room, travel) for a spouse or family member, or **when it is not for a documented business purpose**.
- First-class or business-class airline tickets (unless pre-approved because of extenuating circumstances such as documented medical issues).
- Membership fees for frequent flier clubs or airline lounges.
- Payments of fines, penalties, or finance charges.

- Purchase and/or maintenance of equipment located at a home or other off-site location.
- Charitable contributions to any individual, organization, or institution unrelated to the University. This includes memorial gifts to other noncharitable entities and reimbursements for gifts and/or donations made to other charities or not-for-profit organizations.
- Purchase of flowers or other gifts related to a significant family event such as birth, marriage, or death unless authorized by the President or Cabinet member. Note: Funds may be available through University resources (*refer to ISU Policy 7.1.11*).
- Political contributions, including the purchase of tickets to attend a fundraising event.
- Items not in compliance with policies and guidelines established by ISU, the donor, or the Foundation, or those that may allow the perception of misuse of charitable funds.
- Duplicate payment for goods, services, or reimbursement of employee expenses. Duplicate payments include the reimbursement of "actual" travel expenses to employees who have already received per diem payment through other sources.

NOTE: This list is not intended to be all-inclusive. The above examples are provided to demonstrate some of the most common non-allowable expense reimbursements/payments submitted. If you are unclear as to the appropriateness of an expense, please contact a Foundation representative at (309) 438-4321 **before** incurring the expense or service.

Qualifying Disbursements

Disbursements will be processed through the ISU Foundation when they:

- Comply with all applicable statutes, regulations, IRS code, University, and Foundation policy.
- Provide a direct benefit to the University.
- Are directly related to job responsibilities of the individual incurring the expense.
- Are properly substantiated, and have required authorization and all supporting documentation.
- Do not jeopardize the Foundation's tax-exempt status.

Payments from Foundation funds for goods or services (including honoraria) will be disbursed only to the person or organization providing the goods or services. Such payments may not be assigned or directed to a third party. This includes reimbursements to ISU personnel for business-related expenses, including travel expenses. The Foundation will issue to individual payees an IRS Form 1099 or other documentation as required by IRS regulations. Payees will be responsible for payment of all applicable taxes.

Fundraising and Related Expenses

Foundation funds may be used for the following fundraising and related expenses:

- Reasonable expenditures for the purchase of food and beverages used to entertain donors or University guests that are directly related to fundraising activities.
- Flowers purchased for individuals outside the University must be connected to fundraising activities, and/or to acknowledge relationships of individuals involved with the University or the Foundation. Reimbursement will be considered on an individual basis.
- Flower purchases related to a University purposes (e.g., University recognition events; special events sponsored by the President, Vice Presidents, or Dean; or special Universitywide events) require justification indicating a clear business purpose. Authorization for such expenses must be approved by the Foundation fund fiscal agent (delegate authority is not accepted), the President, or the Vice President of the unit.

Food and Beverages -- Business meetings

Requests for reimbursements for meals and/or functions must include the identity of the person entertained and the business purpose. When a meal is not associated with official business functions,

the functions are considered social in nature. Foundation funds may be used for food and beverage (including alcohol*) expenses when:

- The expenditure is a business expense.
- The expenditure is reasonable and not lavish or extravagant.
- The expenditure is for meals at which current University employees are in attendance, such as staff meetings or "working" meetings with a set agenda and that take place in a setting conducive to doing business (generally, this does not include restaurants).
- The expenditure is for meals for a spouse/partner when there is a legitimate, documented business purpose for his/her presence (e.g., entertaining a donor whose spouse accompanies him/her and the presence of the employee's spouse is considered helpful to the fundraising effort). Spouses, guests, or retirees are not deemed as necessary attendees at a business meeting.

** Please see University Alcohol Policy 5.1.20 for specific information regarding serving alcohol on property owned by ISU.*

Travel Expenses

The Foundation will reimburse for trips which have a documented, valid business purpose only. Requests for travel reimbursement must contain justification, business purpose, and the dates and times of travel.

A [Foundation Travel Voucher](#) must be completed within 60 days of the date the expense is incurred, and be submitted to the Foundation at Campus Box 8000 with applicable receipts and documentation attached. All reimbursements must be submitted within 10 days of fiscal year-end.

Airfare

- Purchasing tickets at least two weeks in advance is encouraged unless special circumstances arise that necessitate a shorter time frame. Those circumstances should be documented on the Travel Voucher.
- Reimbursement will be made for coach/economy airfare only (charges for seating upgrades are **not** reimbursable).
- Airfare credits (including frequent flyer miles), whether earned on personal or business travel, are not reimbursable as there is no cash outlay for such a transaction.
- Expenses for one checked bag (each way) are reimbursable.
- Expenses incurred for overweight baggage are not reimbursable.
- Expenses for flight, trip, or baggage insurance are not reimbursable.

Mileage and related automobile expenses

- Any University staff traveling on Foundation business may request reimbursement of either actual gasoline expenses or applicable mileage reimbursement. Mileage reimbursement is based on distance traveled and whether or not mileage reimbursement is already eligible for reimbursement through University funds. University Travel Guidelines will apply. Tolls and parking fees incurred while on official business will be reimbursed.
- Motor-vehicle violations and parking fines are not reimbursable expenses and are the responsibility of the employee.

Lodging

- Hotel room rates will be reimbursed up to a maximum of \$250 per night or at the documented conference rate. Expenses outside of this range will be evaluated on an individual basis.

- Reimbursement for lodging may include the cost of the room, applicable taxes, and hotel parking. Any additional costs will require separate justification. Movies, laundry, minibar, or room service expenses are not reimbursed by the Foundation.
- Hotel expenses will not be reimbursed if incurred at a hotel within 100 miles of Bloomington-Normal, IL unless extenuating circumstances exist (e.g., inclement weather, etc.).

Meals

- Expenses for meals incurred while attending a meeting while not on official University or Foundation business will not be reimbursed. Examples include Rotary, Kiwanis, Association of Fundraising Professionals, etc.
- Gratuities are reimbursed up to a maximum of 20% of the cost of the meal.
- Meals incurred while on official business may be reimbursable at a reasonable cost. Original detailed receipts must be submitted that include the date and vendor name printed on the receipt.
- The Foundation may refuse payment for any meal considered lavish or extravagant.

Spousal/Partner Travel

The IRS requires that the presence of the spouse/partner must be necessary to the valid business purpose, not merely helpful to the employee or the University. To qualify as a valid business purpose:

- Spousal/partner travel for a fundraising event must be for a legitimate business purpose for his/her presence (e.g., when the presence of the employee's spouse is considered helpful to the fundraising effort).
- Written justification must detail the business purpose of the trip, clarifying the spouse's/partner's role, and identify the benefit to the University of the spouse's/partner's participation.
- The spouse's business involvement must meet the tests articulated in IRS regulations with respect to spousal travel (*See IRS Publication 463*). Unless there is a clear business purpose rather than personal or social, the IRS rules indicate that most spousal travel is not considered to be for a valid business expense.

Scholarships

Scholarship awards must be processed through the Office of Financial Aid and credited to students' accounts; funds may not be distributed directly to the student. Departments must complete the Foundation Scholarship Reporting form: <http://FinancialAid.IllinoisState.edu/Scholarships/Department>. Completed forms should be sent to scholarships@IllinoisState.edu.

Miscellaneous

Transferring Money to Other Foundation Funds

Foundation funds may be transferred from one Foundation fund to another only when the transfer is aligned with the intended fund purpose as outlined in the Administrative Agreement. The [Fund Transfer Request Form](#) must be completed and submitted to the Foundation at Campus Box 8000.

Memberships

Memberships to professional organizations that directly support University or Foundation business and entertainment may be paid with Foundation funds. When requesting payment, the voucher must indicate the benefit to ISU and include the approval of the Dean or Vice President of the unit.

Memberships to civic, professional, or social organizations that do not directly support University or Foundation business will not be reimbursed, such as Rotary or Kiwanis dues.

Sales Tax

The Foundation is exempt from Illinois state sales tax. It is the responsibility of the purchaser to provide the vendor with [tax-exemption documentation](#). Illinois state sales tax will not be paid (or reimbursed to the purchaser) by the Foundation.

Procurement

The Foundation is not subject to the Illinois Procurement Code or ISU purchasing policies and procedures when making purchases for its own use; however, departments making purchases from funds held on their behalf by the Foundation are **NOT** exempt from these requirements and must follow the Illinois Procurement Code and standard ISU purchasing policies and procedures. Please refer to <http://Purchasing.IllinoisState.edu> for additional information.

Forms

All forms noted above can be found on the Foundation's website at:

https://illinoisstateuniversity.sharepoint.com/sites/advancement/general_resources/SitePages/Home.aspx

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