

NORTH CAROLINA STATE UNIVERSITY

Trust Fund Guidelines

Revised - June 2011

These guidelines assist faculty and staff in understanding what trust funds are and how they are accounted for, regulated and applied.

The current revision provides for (1) simplification of the rules and guidelines, (2) additional discussion and narratives, (3) clarification on the definition of a self-supporting activity, (4) clarification of when federal and state equipment may be used in a service center activity, and (5) administrative procedures on negative trust fund cash balances, activity reviews, and reporting changes to existing trust funds.

The following topics are covered in these guidelines:

- I. [Accounting for University Funds](#)
- II. [Establishing Funds](#)
- III. [Trust Funds Authorized by the State](#)
- IV. [Requesting Trust Fund Authorities](#)
- V. [Trust Fund Authority Requirements](#)
- VI. [Negative Trust Fund Cash Balances](#)
- VII. [Sales and Service Trust Fund Activity Reviews](#)
- VIII. [Reporting Changes to Existing Trust Funds](#)
- IX. [Trust Funds Exempt from State Rules and Regulations](#)
- X. [Trust Funds - Questions and Answers](#)

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](#)

Appendix B – Completing the Trust Fund Request Forms

- [BA-108 Trust Fund Request](#)
- [BA-109 Sales Activity Questionnaire](#)

Appendix C – [Understanding the Trust Fund Authorization Letter](#)

After study of these guidelines, a quiz is provided at the back of the guidelines if you're interested in testing your knowledge.

Feedback on these guidelines is always encouraged. Please let us know how the guidelines can offer better assistance or if there are outstanding questions. Please provide feedback to the [Trust Fund Coordinator](#) or [Trust Fund Accountant](#) in the University Controller's Office.

I. ACCOUNTING FOR UNIVERSITY FUNDS:

Monies received by the University come from various funding sources as follows:

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

The accounting for the various funding sources is dependent on the specific external requirements. For example, funds received from the State through appropriation for general operations are subject to reversion to the State if unexpended at the end of the fiscal year.

The University uses fund accounting principles to ensure compliance with the funding source’s requirements by establishing unique funds for each authorized activity, purpose and/or cost objective. Financial transactions for each fund are accounted for and reported in separate self-balancing accounting units with their own financial accounts (assets, liabilities, revenues & expenses).

In the University’s financial system, the “Project ID” code is used to account for the various funds. The first number in the Project ID is referred to as the “LEDGER NUMBER”. This number is used generically to identify specific university funding groups and activities as follows:

LEDGER NUMBER	ACTIVITY	FUND
Lower Level Ledger 2	Academic Affairs Operating Budget Code Activities	Appropriated Funds
Upper Level Ledger 2	Facility and Administrative (F&A) Receipt Activities	Trust Funds
Lower Level Ledger 3	State Appropriated Receipts Activities	Appropriated Funds
Ledger 35xxxx	Discretionary Receipt Activities	Trust Funds
Upper Level Ledger 3	Auxiliary and Sales/Service Activities	Trust Funds
Ledger 4	Land Grant Research/Extension Budget Code Activities	Appropriated Funds
Ledger 5	Contracts and Grants Activities	Trust Funds
Ledger 6	Foundation Spending Account Activities	Trust Funds
Ledger 6 “-F”	Foundation Operating and Endowment Activities	Foundation Funds
Ledger 7	Restricted Gift and University Endowment Activities	Trust Funds
Ledger 8	Capital Improvement Budget Code Activities	Appropriated Funds

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LEDGER NUMBER	ACTIVITY	FUND
Ledger 8	Debt Activities	Trust Funds
Ledger 9	Agency Fund Activities	Trust Funds

The Foundations Accounting & Investments Office staff are the only authorized users of the Ledger 6s “-F”s which are not part of the University’s operations but rather represent the specific foundations that support the University. The “-F” projects are used as the source for reimbursement to the University for ledger 6 foundation spending account projects.

Each Project ID is considered a separate fund and accordingly has assigned chartfields (attributes) that provide for various levels of accounting and reporting, as follows:

- ❑ Fund Code – For Budget Code Accounting and Reporting
- ❑ Project Reference Code – For Trust Fund Accounting and Reporting
- ❑ Department ID Code – For Organizational Unit (OUC) Accounting and Reporting
- ❑ Program Code – For Accounting and Reporting by Expenditure Purpose
- ❑ Subclass Code – For Financial Statement Classification Purposes

The attributes assigned for each Project ID (fund) are based on the funding source’s requirements including its conditions or restrictions, and its authorized purpose and cost objective.

The Project Reference Code is utilized to track all activity for each Trust Fund. Transactions are recorded to a Trust Fund’s Project IDs based on their expenditure purpose or cost objective. Generally, a Trust Fund has one expenditure purpose or cost objective and accordingly would have only one Project ID. However, a Trust Fund may have multiple expenditure purposes or cost objectives and accordingly would have separate Project IDs to track each purpose or objective. For example, a Trust Fund may be authorized for two expenditure purposes (such as student financial aid and student support) and accordingly would have two Project IDs. A Trust Fund may also have different cost objectives. For example, Housing (a student auxiliary) may need to track its apartment operations separately from the dormitory operations, and accordingly would have multiple Project IDs.

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II. ESTABLISHING FUNDS:

The University's Central Offices are responsible for approving, setting up and establishing Project IDs (funds). Funds may only be established for the use and benefit of the University in accordance with state rules and regulations.

The **University Budget Office** establishes the Project IDs for departmental receipts that are deposited into the appropriated funds. In addition, the Budget Office establishes Project IDs for spending F&A funds as authorized by executive management. While F&A receipts are accounted for as trust funds, the spending accounts established by the Budget Office are treated like state funds for budgetary control and reporting purposes. F&A receipts are provided to the departments through the annual budgetary process.

The **University Controller's Office** approves, sets up and establishes Project IDs for the following Trust Funds:

1. Sales and Service Funds:
 - External Contracts (other than those established by the Office of Contracts and Grants)
 - Self Supporting Auxiliary Enterprises
 - Fees for Service of Health Care Professionals
 - Institutional Forests and Forest Farmlands Operations
 - Centennial Campus Activities
 - 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 Foundations Accounting Office)
4. Agency Funds

The **Office of Contracts and Grants** establishes the Contract and Grant funds

The **Foundations Accounting & Investments Office** (FAIO) establishes the University foundation funds (except for the NC Textile Foundation), and the University Endowment Funds.

Ledger 6 foundation spending projects are used primarily as spending accounts for the various projects authorized by the FAIO. The University is reimbursed no less than once a week for the spending from these projects from sources available to the FAIO including foundation investment accounts with the State Treasurer or from foundation bank accounts.

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The FAIO is also responsible for the accounting and reporting of external foundations (except for the Textile Foundation) including related foundation operating and endowment funds. They are responsible for the accounting and reporting of fund receipts and disbursements owned by (1) the individual foundations, (2) the N C State University Partnership Corporation and its related LLCs, and (3) the N C State Investment Fund, Inc.

The N C State Investment Fund, Inc. activities are reported in the University's (1) endowment funds (for endowment investments) and (2) agency funds (for the foundation investments). The N C State University Partnership Corporation (the Corporation) is reported in various funds established in the ledger 6 "-F" projects to account for the various LLCs that have been created under the Corporation. The Corporation's purpose is to support and benefit the University with the aims of creating new knowledge and improving the lives of the people of North Carolina.

The various funds of the University, Foundations, or other organizations must be accounted for based on the right of legal ownership. **Funds legally belonging to the University must not be accounted for and maintained in a ledger 6 "-F" foundation project.**

Deposits or transfers of funds belonging to or legally titled to the University may not be deposited or transferred into a Ledger 6 foundation project (except for FAIO reimbursements), a "-F" foundation project, a foundation university investment account, or a foundation bank or investment account. Funds legally belonging to or titled to the University must remain, be deposited in and accounted for by the University including the following:

- Gifts to the University, or University Endowment Fund Proceeds from sales of property gifted to the University
- Payments of invoices / billings from the University (Including the College or Department) for University provided services
- Contracts and grants in the name of the University. Contracts and grants with deliverables or that require performance on the part of the University should always be processed through the University Office of Sponsored Programs unless specific approval has been obtained from the grantor and the Vice Chancellor for Finance and Business.
- Rents from property owned or leased by the University
- Monies received from any activities not specifically promoted, marketed or sponsored by the applicable foundation.

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III. TRUST FUND ACTIVITIES

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:

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

- Gifts, Devises, or Bequests
 - *Endowment Principal Funds* (ledger 7)
 - *Endowment Income Trust Funds* (ledger 7)

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

- Debt Funds
 - *Unexpended Debt Proceeds* (ledger 8)
 - *Debt Reserve and Service Trust Funds* (ledger 8)

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

- Gifts, Devises or Bequests
 - *Restricted Gift Trust Funds* (ledger 7)
 - *Foundation Trust Funds* (ledger 6 or 7)
 - *Discretionary Trust Funds* (ledger 35XXXX)
 - *Patent Royalty Trust Funds* (ledger 7)
 - *Other Royalty Trust Funds* (ledger 7)
 - *"Fixed Price" Contract Residual Trust Funds* (ledger 7)
- Federal Contracts, Grants, and Agreements
 - *Contracts and Grant Trust Funds* (ledger 5)
- Non-Federal Contracts, Grants, and Agreements
 - *Contracts and Grant Trust Funds* (ledger 5)
 - *Industry Membership Centers Trust Funds* (ledger 5)
 - *Other Contract Operations Trust Funds* (upper level ledger 3)
 - Analytical and Testing Agreements
 - Other Contracts / Agreements
- Extracurricular Activities of Students
 - *Orientation Fees Trust Funds* (upper level ledger 3)
 - *Student Activity Fee Trust Funds* (upper level ledger 3)
 - *Other Student Activities Trust Funds* (upper level ledger 3)
- Activities Supporting Scholarships/Student Activity Programs
 - *Special Activities, Extension Instruction and Public Service Trust Funds* (upper level ledger 3)
 - *Vending Facilities Trust Funds* (upper level ledger 3)
- Self-Supporting Auxiliary Enterprises
 - *Auxiliary and Related Trust Funds* (upper level ledger 3)
 - Student Auxiliaries
 - Institutional Auxiliaries
 - Service Center Operations
- Fees for Service of Health Care Professionals

- *Veterinary Medicine Faculty Practice Plan Trust Funds* (upper level ledger 3)
- Institutional Forests and Forest Farmlands Operations
 - *Operations and Maintenance of Forests Trust Funds* (upper level ledger 3)
- Centennial Campus Activities
 - *Operations and Maintenance of Centennial Campus Trust Funds* (upper level ledger 3)

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

- Agency Funds (ledger 9)
 - *For Students/Faculty/Staff*
 - *For Clubs/Organizations*
 - *For Student Sponsorships by Non-NCSU Organizations*
 - *For Events Sponsored by Non-NCSU Organizations*
 - *For Refundable Deposits*
- Intercollegiate Athletics (upper level ledger 3)

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

- F&A Receipts Trust Funds (upper level ledger 2)

SALES AND SERVICE TYPE ACTIVITIES

Sales and Service type activities 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. See Appendix A-1 for more on the Umstead Act.

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. A self-supporting activity means that the activity (1) pays for all its direct operating cost, (2) is not supported by a state subsidy, and (3) is able to continuously maintain a positive cash balance. Generally, the direct operating cost of an activity would include personal service costs, and depending on the activity, may include supplies and materials, service costs, and equipment costs. **Direct operating costs benefiting a self-supporting trust fund activity and paid for with state funds must be promptly reimbursed to the state funds incurring the expense.**
- 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 to be accounted

for as a Sales and Service activity. 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 (see section on Negative Trust Fund Cash Balances).

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 (see the University Spending Guidelines and the Internal Conferences and Meetings Guidelines for more discussion on these exclusions).

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 received in a trust fund or a related foundation.

GIFT ACTIVITIES

Gifts include all unrestricted and restricted gifts received from individuals, non-governmental organizations or other organizations. All gifts should be routed to the University Development Office for acceptance and must follow the [North Carolina State University Standard Gift Acceptance Policy](#). Gifts are subject to the University's gift assessment fee policy.

Gifts to the Endowment Fund of the University are first processed through the Foundations Accounting & Investments Office 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 University and its foundations are exempt under G.S. 131F. Other states have varying fundraising registration requirements.

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 account custodian 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, tailgating activities, galas, sales of cookbooks, food, or t-shirts, or solicitations, etc. 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 / WORKSHOPS

Generally revenues associated with external conferences and workshops should be receipted into an appropriated receipt project established by the University Budget Office. The authority for this comes from specific memorandums from the UNC Office of the President and the Office of State Budget and Management (see Appendix A-4).

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 project established by the Budget Office. 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, and

Public Service” Trust Fund, after all entertainment costs have been paid, should be transferred to the appropriate appropriated receipt project.

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 FUND ACTIVITIES

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 would be 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 project Trust Fund.

Agency funds are subject to the owner’s requirements. Disbursements from agency funds must be supported by the account custodian with adequate documentation to ensure compliance with the owner’s restrictions and / or conditions.

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IV. REQUESTING A TRUST FUND AUTHORITY:

To request a trust fund authority from the Controller's Office, you must complete [Form BA-108, Trust Fund Request](#). Make sure that the information provided on the form provides a detailed description of the activities, programs, or operations to be supported by the trust fund. Indicate any specific restrictions, terms, or conditions for the use of funds to be deposited to the trust fund. For your convenience, you may request a trust fund, by using an electronic form. You must complete all items on the form and attach/fax/mail photocopies of pertinent information such as correspondence, donor letters, or other documentation that will assist in the review and approval of the request to the [Trust Fund Coordinator](#) in the Controller's Office. If submitting the paper form, the requestor and an approver must properly sign the form and mail to the Controller's Office, Box 7205. If submitting electronically, name and e-mail address of the requestor and approver must be recorded on the signature lines. The electronic form should be forwarded first from the requestor to the approver and then forwarded to the Trust Fund Coordinator. This will be accepted in lieu of a signed form. After review and consideration of the request, the Trust Fund Coordinator will notify you of the decision and reasons for the decision. If approved, a Trust Fund Authority letter signed by the University Controller will be sent to the requestor, with a copy to the approver and the appropriate Business Officer.

For requests to establish certain upper level ledger 3 trust funds, Form BA-108, [BA-109, Sales Activities Questionnaire](#), and [Form CG006, Service Center Use Rate Calculation](#) should be completed and first submitted to the Office of Contracts and Grants, Box 7214 for review and approval. Contracts and Grants will provide a written letter regarding their review. If approved, submit the letter from Contracts and Grants, Form BA-108 with pertinent information attached, and Form BA-109 to the Controller's Office, Box 7205 for review and approval to establish the trust fund.

The Foundations Accounting & Investments Office completes the BA-108 for all new endowments being established in the University's Endowment Fund.

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V. TRUST FUND AUTHORITY REQUIREMENTS:

Departments 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 cash balance unless prior approval has been obtained from the Vice Chancellor for Finance and Business or his designee.
- 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 approval from the appropriate Center/Unit Director, Dean, or Vice Chancellor.
- Payment requests for food must include the appropriate documentation and the approval (signature) of the appropriate Department Head, Center/Unit Director, 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 clubs including the State Club or the University Club must be in accordance with the University PRR POL05.15.3 "[Non-Salary and Deferred Compensation](#)", section 4.5 "Club Memberships" and must be paid from exempt funds.
- The principal person responsible for a trust fund project is responsible for reporting changes in the status of the project to the Controller's Office, including changes in responsibility for the project, when the project becomes inactive, or when the original purpose changes.
- No excess reimbursement for travel meals is allowed to employees unless provided for in the "Travel Requirements for University Employees" guidelines at http://www.fis.ncsu.edu/controller/travel_guidelines/default.asp.
- 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" section 4 of the Internal Conferences and Meeting Expenses guidelines, 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 projects 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. Meal payment is processed through a Special Activities – Extension, Instruction and Public Service Trust Fund (Food Project). (See previous

discussion on External Conferences / Workshops in section III “Trust Fund Activities”.)

- 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 principal person responsible for the trust fund and the individual designated as the Account Custodian have 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 principal person responsible for a trust fund 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 in Financials should be matched to the underlying supporting documentation and reviewed by a person having authority over the trust fund.
 - Proper Supervision – activities should be supervised, especially when segregation of duties is not possible because of staff limitations. 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 Financials 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. The Voucher Approval stamp should be applied to all invoices to document received dates and payment approval.
 - Annual Reviews – trust fund balances should be 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 billing rates.

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VI. NEGATIVE TRUST FUND CASH BALANCES:

Effective with the June 2011 revised guidelines, the University Controller's Office has implemented new administrative procedures over the monitoring of deficit Trust Fund cash balances. As noted in the previous section on Trust Fund Authority Requirements, "Trust Funds must at all times maintain a positive cash balance unless prior approval has been obtained from the Vice Chancellor for Finance and Business or his designee."

It is important for all Trust Fund owners and their administrative support personnel to establish procedures to (1) timely review their cash balances and (2) take appropriate action to ensure that their Trust Funds have positive cash balances, especially by the end of each monthly reporting cycle. The University Controller's Office will monitor the Trust Fund cash balances at the end of each monthly reporting cycle and will take the following steps to ensure that positive cash balances are maintained:

1. First month – the Controller's Office will report all negative Trust Fund cash balances to the Business/Finance Officer over those funds that are not resolved by the 10th of the month. The Business/Finance Officer should communicate with the Trust Fund owner and take appropriate action to correct any errors and bring the Trust Fund back to a positive cash balance by the end of the month. If the negative amount equals or exceeds \$1,000, the Business/Finance Officer should also provide a response back to the Controller's Office prior to the end of the month as to the status of Trust Fund cash balance and, if still negative, the name and e-mail address of the Trust Fund owner and the appropriate Department Head.
2. Second month - If a negative cash balance equal to or exceeding \$1,000 is not cleared up by the end of the first month and is not resolved by the 10th day of the second month, the Controller's Office will communicate with the appropriate Business/Finance Officer to advise them that the negative Trust Fund cash balance has not been adequately corrected and that they should take action quickly to avoid additional administrative action. If not cleared up by the next reporting cycle, a \$50 charge may be assessed against the Trust Fund. Before assessment procedures begin, the Controller's Office will discuss this with the Associate Vice Chancellor for Finance and Resource Management. In addition, a memo will be sent to the owner of the Trust Fund with a copy to the appropriate Department Head and the Associate Vice Chancellor for Finance and Resource Management regarding the uncorrected negative Trust Fund cash balance and, if not resolved by the next reporting cycle, the \$50 charge.
3. Third month - If the negative cash balance equal to or exceeding \$1,000 is not cleared up by the end of the second month, and is not resolved by the 10th day of the third month, the Controller's Office will communicate with the owner of the Trust Fund to advise them that the negative Trust Fund cash balance has not been adequately corrected, that a \$50 fee has been assessed (if approved by the Associate Vice Chancellor for Finance and Resource Management) and that action should be taken immediately to avoid additional administrative action. If not cleared up by the next

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monthly report, an additional \$100 charge may be assessed and the project frozen. In addition, a copy of the memo will be sent to the appropriate Business/Finance Officer, Department Head, Dean, and Vice Chancellor, and the Vice Chancellor for Finance and Business regarding the uncorrected negative Trust Fund cash balance and, if not resolved before the end of the month, the \$100 charge.

4. Fourth month - If the negative cash balance equal to or exceeding \$1,000 is not cleared up by the end of the third month, and is not resolved by the 10th day of the fourth month, the Controller's Office will review the continued negative balance with the Associate Vice Chancellor for Finance and Resource Management. Based on this review, the Controller's Office may notify the Trust Fund owner that the Trust Fund project will be frozen and the action necessary to unfreeze the project. In addition, a copy of the notification will be sent to the appropriate Business/Finance Officer, Department Head, Dean, and Vice Chancellor, and the Vice Chancellor for Finance and Business.
5. If the Trust Fund project is frozen, it may be unfrozen by written approval of the Vice Chancellor for Finance and Business or by providing the following to the Controller's Office:
 - Evidence that appropriate cash transfers or movement of expenditures to another appropriate project to bring the Trust Fund cash balance back to a positive position have been made, and
 - A signed certification from the Trust Fund owner and Business/Finance Officer stating that procedures have been established to ensure that the Trust Fund cash balance will be monitored and that appropriate adjustments, if any, will be made timely to correct any future negative cash balance.
6. Trust Fund projects that are frozen must be cleared up before the end of the fiscal year. If not cleared up by that time and after review and discussion with the Associate Vice Chancellor for Finance and Resource Management, funds may be transferred from the Dean's discretionary funds of the college to cover the deficit and the Trust Fund may be inactivated. This action may be avoided if written approval has been obtained from the Vice Chancellor for Finance and Business to extend the time for correction or to approve the Trust Fund for carrying a negative cash balance. This written approval should be provided to the Controller's Office prior to the end of the fiscal year.

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The following trust funds are exempt from this administrative procedure:

- Administrative Clearing/Processing Projects
- Contract and Grant Projects
- Foundation or Endowment Projects
- Scholarship Projects
- Debt or Construction Projects
- Other Projects Specifically Approved to Carry a Cash Deficit by the Vice Chancellor for Finance and Business

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VII. SALES AND SERVICE TRUST FUND ACTIVITY REVIEWS:

Sales and Service Trust Funds that are new or material to the University's financial statements are subject to additional administrative review by the University Controller's Office.

This review will determine that (1) for new funds, that salaries have been charged to the fund and expenditures appear reasonable in comparison to the revenues, and (2) for the material funds, that the revenue and expenditure activity is reasonable in comparison to prior years and that the increase in revenue is explained by the change in rates and/or utilization.

In addition, the trust fund owners should perform their own activity reviews to ensure that transactions are posted correctly and that all expenses paid for by other funds have been reimbursed. In addition, they should review their revenue streams to determine whether they are sufficient to ensure adequate support of their planned operations and if it is necessary to increase rates or reduce rates to pass on savings to the University's internal customers.

Annually, the University Budget Office also performs a review of selected auxiliary, sales and service units, and all student fee units. This review evaluates current and projected revenue of the unit, as well as the associated budget for the related activities. This review takes place prior to the end of each fiscal year.

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VIII. REPORTING CHANGES TO EXISTING TRUST FUNDS:

Trust fund custodian's should review their operations annually and compare its activities to the trust fund authority and the initial BA 108 and 109 submitted for the establishment of the Trust Fund. If variances or changes are noted to the origination information, the University Controller should be advised by e-mail as to the changes that are noted. Such changes that should be reported to the University Controller's Office include:

- 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, the BA 108 and BA 109 should be completed and sent to the University Controller's Office for determination of the Fund Authority.

Account custodians should request termination of Trust Funds which are no longer required. The University Controller's Office will periodically review projects with no activity and work with the Trust Fund custodian to determine proper action related to a Trust Fund's inactivity.

Account custodian's have the responsibility to ensure that proper documentation procedures are followed for projects which they control, and to ensure that only authorized expenditures are made from their projects. Any unauthorized expenditures which appear on a monthly accounting report should be promptly corrected and, if necessary, reported to the appropriated central office for resolution. Further, account custodians are responsible for exercising appropriate care in reviewing and approving transactions that result in expenditure from any of their projects.

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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 account projects are actually funds established for the convenience of the University and the affiliated foundations. These are separate projects that are authorized by the Foundations Accounting & Investments Office for spending as designated by the various foundations' boards of directors or donors. Transfers are made to the University no less than once a week to reimburse the University for expenditures charged to the foundation funds. Expenditures from the foundation spending account projects 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 Center/Unit Director, Dean or Vice Chancellor 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. Expenditure for alcoholic beverages may only be made in accordance with the rules provided for in the "Internal Conferences and Meetings" guidelines related to entertaining outside guests. See the University Controller's website for the "Internal Conferences and Meetings" guidelines.

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

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funds subject to the State rules and regulations unless specifically provided for in the spending guidelines or approved by the University Controller. Expenditure for food may only be made in accordance with the rules provided for in the “External Conferences and Employee Training Expenses” and “Internal Conferences and Meetings” guidelines. See the University Controller’s website for the “External Conferences and Employee Training Expenses” and “Internal Conferences and Meetings” guidelines.

These exemptions do not absolve the person who is responsible for the project of their responsibility for properly documenting transactions and using good business practices. Good business practices should be the rule regardless of the funding source. All exempt spending must meet the spending guideline requirements.

For all potential expenditures from all sources of funds, the “appearance test” should be used, i.e., how would this purchase look to external constituents if placed on the front page of a newspaper. Another test that is useful is to ask the question, “Is this expenditure necessary for a faculty/staff member to do his/her job or for the university to carry on its normal business?” The utilization of these tests should help to guide faculty/staff members in their decision-making. At all times, faculty/staff are encouraged to avoid the appearance of poor management of funds as well as the reality of poor management of funds.

The University Controller’s Office reviews the request to establish a new Trust Fund for the appropriate exempt status. If exempt status is granted, that decision will be stated in the Trust Fund Authority Letter sent to the Trust Fund owner. If exempt status is not granted or, if the department feels other projects should be considered exempt, the account custodian may send a written request to the University Controller that the decision be reconsidered. The request should state why the project should be exempt and specifically identify which criteria it meets to qualify for exemption. The Foundation Accounting & Investments Office should be consulted for exemptions for foundation funds.

A list of exempt Trust Funds will be reviewed periodically by the University Controller’s Office to determine if the status of any of the projects has changed. Projects which have become inactive or no longer meet the criteria for exemption will be dropped from this listing.

Exempt expenditures may not be moved or transferred to a trust fund that is not exempt for those purposes. For example, journal entries made to move p-card transactions incurred for entertainment expenses may only be moved to a trust fund that is sufficiently broad in scope as to purpose and exempt for entertainment expenses.

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X. TRUST FUNDS - QUESTIONS AND ANSWERS:

TF-Q-1. How do you account for funds remaining after a fixed price contract is completed?

TF-A-1. Amounts received on fixed price contracts must pay for all direct costs associated with the contract including the reimbursement to other funds / budget codes for goods/services/personnel cost incurred by those funds / budget codes that are allocable to the contract. After all costs are settled, the remaining funds in the fixed price contract fund shall be moved from the Contract and Grant project (ledger 5) to a residual trust fund project (ledger 7). Expenditures from this residual trust fund must generally follow the same spending guidelines as those for State appropriated funds. Expenditures may also include funding of new faculty “start-up packages”, for expenses listed in the offer letter approved by the Dean’s Office. Moving expenses paid from these funds must be in accordance with the University’s POL 05.15.3 “Non-Salary and Deferred Compensation” policy.

TF-Q-2. How are workshops/conferences held by the University that are not part of a contract or gift activity accounted for?

TF-A-2. Workshops/conferences held by the University that are not part of a contract or gift activity must be accounted for in a State appropriated receipt project (lower level ledger 3). However, when acting in an agency capacity for another organization, the University would account for the activity in an agency project (ledger 9).

TF-Q-3. How can food be provided at receipt-supported workshops/conferences that are accounted for in the budget codes?

TF-A-3. Food can be provided at receipt-supported workshops/conferences that are accounted for in the budget codes if the event is planned, meets the State budget requirements for sponsoring an External Conference, and a registration fee is charged inclusive of the meals and other related costs. The food amounts should be charged to a special activity – extension instruction and public service trust fund project (upper level ledger 3) established exclusively for workshops/conferences food costs. Any amount remaining in the special activity project after the workshop/conference shall be deposited back to the State appropriated receipt project.

TF-Q-4. How do you clear out old trust funds with residual cash?

TF-A-4. Trust funds with unrestricted cash balances that have become inactive and for which the original trust fund purpose has been met should be dispersed in accordance with the fund’s existing distribution requirements. For trust funds having no requirements on distributions, the appropriate Dean or Vice Chancellor shall determine the use of the residual balance. Expenditure of these residual funds is subject to the use

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requirements placed on the original funding. For example, residual amounts for old Sales and Service Trust Funds must follow the same spending guidelines as those for state appropriated funds.

TF-Q-5. What are Sales and Service Trust Funds?

TF-A-5. Sales and Service Trust Funds include Auxiliary and Related Trust Funds and Other Contract Operations Trust Funds. These Sales and Service Trust Funds follow the same spending guidelines as those for State appropriated funds except for “spending guideline” exceptions given to certain student auxiliary trust funds.

TF-Q-6. What type of activities can be accounted for as a trust fund?

TF-A-6. The University may authorize trust funds for the following activities:

1. Endowment principal and income funds
2. Debt proceeds, reserves and service funds
3. Institutional Trust Funds including:
 - a) Gifts, devises and bequests
 - b) Federal contracts, grants and agreements
 - c) Non-federal contracts, grants and agreements
 - d) Extracurricular activities of students
 - e) Activities supporting scholarship and student activity programs
 - f) Self supporting auxiliary enterprises
 - g) Fees for service of health care professionals
 - h) Moneys received for disposition of real property
 - i) Institutional forest and forest farmlands operations
 - j) Centennial campus activities
4. Special Funds including:
 - a) Agency funds
 - b) Intercollegiate Athletics
5. F&A receipts

TF-Q-7. What are Auxiliary and Related Trust Funds?

TF-A-7. Auxiliary and Related Trust Funds include student auxiliaries, institutional auxiliaries, and service center operations. Student auxiliaries are business activities that support the needs of the student, such as housing, dining, the bookstore, and the student center. Institutional auxiliaries are internal sales and service activities that support the needs of the institution, such as central stores, telecommunications, the creamery, and parking. Service center operations are internal sales and service activities that support specific needs of research programs. Auxiliaries are self-supporting based on charges to the users.

TF-Q-8. How do you account for activities that do not meet the trust fund requirements?

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TF-A-8. Activities that do not meet the trust fund requirements are accounted for as State appropriated receipts (lower level ledger 3). However, such activities must meet requirements of the Umstead Act.

TF-Q-9. What is the Umstead Act and how does it limit what activities the University can perform?

TF-A-9. The Umstead Act is a State Law that prohibits the State from engaging in business activities that are in competition with private enterprises. General Statute 66-58 "Sale of Merchandise or Services by Governmental Units" provides for this prohibition and allows for certain exceptions. See the section titled "Umstead Act" for activities allowed.

TF-Q-10. What are the program codes for Auxiliary and related trust funds?

TF-A-10. Auxiliary and related trust funds use the following program codes:

- Student Auxiliary Enterprises
 - Campus Center (recorded in program code 202)
 - Food Services (recorded in program code 203)
 - Health Services (recorded in program code 204)
 - Housing Services (recorded in program code 205)
 - Recreational Services (recorded in program code 207)
 - Student Stores (recorded in program code 208)
- Institutional Auxiliary Enterprises
 - Central Stores (recorded in program code 212)
 - Creamery (recorded in program code 213)
 - Printing and Duplicating (recorded in program code 214)
 - Vehicle Registration (recorded in program code 216)
 - Other Auxiliary Operations (recorded in program code 219)
 - Self-Supporting Service Centers (recorded in program code 219)

TF-Q-11. What do you do when a trust fund that was previously established is determined (based on review and re-evaluation of its activity) to not meet the trust fund requirements but rather is an activity that should be accounted for as an appropriated receipt?

TF-A-11. You need to contact the Budget Office to establish the proper fund and begin using the new appropriated receipt fund for this activity. Moneys in the trust fund should be moved to the new state appropriated receipt fund unless the funds were from such activities that would meet the trust fund legislation requirements.

TF-Q-12. What is the difference between a state appropriated receipt and trust fund sales and service activity?

TF-A-12. Assuming that the sales and service operation is allowed by the Umstead Act, trust fund sales and service activities include those supported by either Auxiliary and Related Trust Funds or Other Contract Operations Trust Funds. Sales and service activities that are not self-supporting are considered state appropriated receipt activities.

TF-Q-13. What is meant by a self-supporting activity?

TF-A-13. A self-supporting activity means that the activity (1) pays for all its direct operating cost, (2) is not supported by a state subsidy, and (3) is able to continuously maintain a positive cash balance. Generally, the direct operating cost of an activity would include personal service costs, and depending on the activity, may include supplies and materials, service costs, and equipment costs. Direct operating costs benefiting a self-supporting trust fund activity and paid for with State funds must be promptly reimbursed to the state funds incurring the expense.

TF-Q-14. Are sales of videotapes by the departments to the general public considered an appropriated receipt activity?

TF-A-14. Sales of videotapes should go through the Office of Technology Transfer (OTT) as copyright intellectual property if the University owns the copyright. Copyright intellectual property revenues are considered royalty income to royalty trust funds and are not appropriated receipts. Sale of videotapes by the departments must be incidental to the operation of an instructional department or incidental to educational research to be an activity allowed by the Umstead Act. Revenue from the direct sale of non-registered copyright videotapes by the departments is considered a State appropriated receipt activity. The sale of non-registered copyright videotapes through a service contract similar to a licensing contract would be considered an Other Contract Operations Trust Fund activity.

TF-Q-15. How are patent royalties treated?

TF-A-15. OTT is responsible for the processing and recording of patent royalties. For more on patent royalties, go to the OTT web site <http://www.ncsu.edu/ott/>.

TF-Q-16. How are University owned copyright royalties treated if distributed to the departments from OTT?

TF-A-16. Copyright royalties, if distributed to the departments from OTT, must be used to support research or educational programs of the department. If the creator assigns their share of the royalty to the department, the department must use the gift as intended by the creator and should maintain written documentation that will support the gift intentions of the creator.

TF-Q-17. Can Sales and Service Trust Funds use State funds to support their activities?

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TF-A-17. No. Sales and Service Trust Funds are required to be self-supporting and any activity supported by State funds must be reimbursed.

TF-Q-18. What is “Program Income” and how is it accounted for?

TF-A-18. “Program Income” is money that is earned on an activity fully supported by a contract or grant and is accounted for as part of the contract and grant activity in ledger 5. It can also include money earned on activity fully supported by a gift program and is accounted for as part of the restricted gift activities in ledger 7.

TF-Q-19. Can Trust funds be established specifically for program income activity?

TF-A-19. Generally, program income should be reported in the trust fund being supported. Exceptions require approval from the Controller’s Office.

TF-Q-20. If an activity provides for testing that generates revenue and the people performing the testing are paid from a contract/grant, is this considered program income?

TF-A-20. Yes. Revenue that is generated by grant activity is program revenue to that grant. However, revenue earned by a service center that is established to provide testing for the benefit of the contract/grant is not considered program income as long as the service center expenses are not paid directly by the contract/grant.

TF-Q-21. Can self-supporting service centers use equipment purchased with Federal funds in its operations?

TF-A-21. Equipment purchased with Federal funds may be used when specifically authorized for this purpose by the Office of Contracts and Grants (C&G) for equipment purchased from ledger 5 projects, or by the Business Office of the College of Agriculture and Life Sciences (CALs) in consultation with the University Budget Office for equipment purchased from ledger 4 projects. However, depreciation on federal equipment must be removed from any billings to federal grants or federal pass through grants.

TF-Q-22. Can self-supporting service centers use equipment purchased with State funds in its operations?

TF-A-22. Equipment purchased with State funds from any university state budget code may be used when specifically authorized for this purpose by the University Budget Office. Depreciation of state equipment recovered through billings for services provided by a trust fund must be accounted for in a separate restricted fund for equipment replacement within the service center trust fund or as directed by the University Budget Office.

TF-Q-23. Can a service center be considered an appropriated receipt activity?

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TF-A-23. A service center that is not self-supporting would be considered an appropriated receipt activity. User rates established for an appropriated receipt service center may include depreciation on equipment

TF-Q-24. Can a trust fund service center provide both internal and external service activities?

TF-A-24. Yes. A trust fund service center may provide both internal and external service activities. However, when providing external services, the trust fund service center must enter into valid university contracts with terms and conditions related to the service. While the service center would have one trust fund (Project Reference Code) for these activities, different Project ID codes would be established to account for each unique purpose.

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

NOTE: Official references to an "account" in the state rules and regulations are the same as "project" as used by NC State 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>. In accordance with this statute, the University has the authority to engage in the following business activities:

1. Utilities and other services operated by it
2. Sale of articles produced incident to the operation of instructional departments
3. Sale of articles incident to educational research
4. Sale of articles of merchandise incident to classroom work, meals, books
5. Sale of articles of merchandise not exceeding twenty-five cents in value when sold to members of the educational staff or staff auxiliary to education or to duly enrolled students or occasionally to immediate members of the families of members of the educational staff or of duly enrolled students
6. Sale of meals or merchandise to persons attending meetings or conventions as invited guests
7. Operation by the University of North Carolina of an inn or hotel and dining and other facilities usually connected with a hotel or inn
8. Operation of the hospital and Medical School of the University of North Carolina,
9. Operation of the Coliseum of North Carolina State University at Raleigh, and the other schools and colleges for higher education maintained or supported by the State
10. Operation of the Centennial Campus of North Carolina State University at Raleigh, the Horace Williams Campus of the University of North Carolina at Chapel Hill, the Millennial Campus of a constituent institution of the University of North Carolina
11. Operation of the comprehensive student health services or the comprehensive student infirmaries maintained by the constituent institutions of the University of North Carolina
12. Operation of gift shops, snack bars, and food service facilities physically connected to any of the University of North Carolina's public exhibition spaces, including the North Carolina Arboretum, provided that the resulting profits are used to support the operation of the public exhibition space
13. Sale of products of experiment stations or test farms
14. Sale of learned journals, works of art, books or publications of the Department of Cultural Resources or other agencies

15. Operation of endowment funds established for the purpose of producing income for educational purposes
16. Operation by educational institutions of campus stores, the profits from which are exclusively for awarding scholarships to defray the expenses of students attending the institution; provided, that the operation of the stores must be approved by the board of trustees of the institution, and the merchandise sold is limited to educational materials and supplies, gift items and miscellaneous personal-use articles. Provided further that sales at campus stores are limited to employees of the institution and members of their immediate families, to duly enrolled students of the campus at which a campus store is located and their immediate families, to duly enrolled students of other campuses of the University of North Carolina other than the campus at which the campus store is located, to other campus stores and to other persons who are on campus other than for the purpose of purchasing merchandise from campus stores.

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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 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_116-36.1.pdf 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 there from 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 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.

http://www.ncga.state.nc.us/enactedlegislation/statutes/html/bysection/chapter_116/gs_116-36.2.html “Regulation of Special Funds of Individual Institutions”

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.

http://www.ncga.state.nc.us/enactedlegislation/statutes/pdf/bysection/chapter_116/gs_116-36.5.pdf “Centennial Campus Trust Fund”

http://www.ncga.state.nc.us/enactedlegislation/statutes/pdf/bysection/chapter_116/gs_116-36.5.pdf provides the legal authority for all moneys received through development of the Centennial Campus of North Carolina State University at Raleigh, from whatever source, including the net proceeds from the lease or rental of Centennial Campus real property, to be placed in a special, continuing, and non-reverting trust fund having the sole and exclusive use for further development of the Centennial Campus, including its operational development. This fund shall be treated in the manner of institutional trust funds. This fund shall be deemed an additional and alternative method of funding the Centennial Campus and not an exclusive one.

http://www.ncga.state.nc.us/EnactedLegislation/Statutes/PDF/BySection/Chapter_116/GS_116-41.7.pdf “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 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.

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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/

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)

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)

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A-4 OFFICIAL MEMORANDUMS ON TRUST FUND POLICY AND LAW

FROM THE UNC OFFICE OF THE PRESIDENT:

- Administrative Memorandum #302 (February 8, 1991): ["Resolution of the Board of Governors and Administrative Procedures Relative to Trust Fund Legislation"](#) (Supersedes #113 January 25, 1979) provides for the administrative policies and procedures governing the establishment of Institutional Trust Funds.
- Administrative Memorandum #131 (January 11, 1980): ["Administrative Procedures Relative to Trust Fund Legislation – Receipts-Supported Extension Instruction and Public Service Activities"](#) provides definitions on Extension Instruction and Public Service activities and accounting and budgeting procedures applicable to receipts-supported Extension Instruction and Public Service activities. This memorandum requires that all receipts and balances related to budget purposes of Extension Instruction (103), Educational Television (141), and Community Services (142) be deposited directly into the appropriate General Fund academic budget code of each institution. These activities are considered part of the institution's continuation budget. This memo indicates that the Office of State Budget and Management acknowledges the need to carry forward receipts related to these programs from one fiscal year to the next in order to provide sufficient working capital and program development funds, to help meet the costs of courses or activities where revenues and corresponding expenditures do not occur within the same fiscal year, and to meet other justified needs. In this regard, the Office of State Budget and Management has indicated that all justified institutional requests for such purposes at the end of each fiscal year will be honored.

(IMPORTANT - Carry-forwards must be requested through the University Budget Office based on their year end instructions. All requests are evaluated as to whether they meet the established criteria and, if approved by the Vice Chancellor for Finance and Business, are forwarded by the University Budget Office to OSBM for action. OSBM has the ultimate authority to approve or deny the request. Carry-forwards are not automatic or guaranteed.)

FROM THE OFFICE OF STATE BUDGET AND MANAGEMENT

- Memorandum (October 17, 1980): ["Entertainment Expenses" Connected With Receipts – Supported Extension Instruction and Public Service Funds"](#) provides that institutions may continue to provide for entertainment expenses connected with extension and public service activities provided that a separate and identifiable special activity charge is assessed of participants to fully cover such expenses. Entertainment expenses include costs associated with luncheons, banquets, social hours, coffee breaks,

etc. Funds collected for entertainment purposes will be deposited into an institutional trust fund account entitled “Special Activities, Extension Instruction and Public Service”. All entertainment expenses for extension instruction and public service activities will be paid from this trust fund account. The trust fund account will be considered under the definition of Institutional Trust Funds covered by Administrative Memorandum #113 and all other rules and regulations applicable to such funds. The trust fund will be identified as a component of the Institutional Trust Fund category entitled “Institutional Auxiliary Enterprises and Activities Supporting Scholarship Funds and Student Activity Programs”.

- Memorandum (December 4, 1980):
[”Revision to Policies and Procedures Outlined in Memorandum of October 17, 1980 concerning “Entertainment Expenses” connected with Receipts – Supported Extension Instruction and Public Service Funds”](#) provides amendments to the memorandum of October 17, 1980 to remove requirement to have a separate and identifiable special activity charge to cover the costs of “entertainment expenses” but is encouraged. Fees or charges assessed to cover entertainment costs may be included as a part of the registration fee or extension fee. If a separate and identifiable charge is made to cover entertainment cost, such receipts should be collected and deposited directly to the “Special Activities, Extension Instruction and Public Service” trust fund account. If charges for entertainment costs are commingled with the registration fee or course fee, the total amount of such receipts should be collected and deposited to the appropriate revenue line in the general fund operating budget. In this case, the amount of such receipts collected that are necessary to cover entertainment costs should be transferred to the trust fund account. Only the exact amount required to cover entertainment expenses should be transferred.

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APPENDIX "B"

COMPLETING THE TRUST FUND REQUEST FORMS

BA-108 – TRUST FUND REQUEST

1. Use the instructions tab for completing the trust form forms. The instructions provide for the proper use of the excel workbook, and the persons to get in touch with if you have a problem.
2. Using the excel spreadsheet, go to tab [BA-108](#) and type in:
 - a. the college / department name
 - b. the OUC number
 - c. the suggested title of the requested trust fund
3. From the first drop down box, select "how long the fund will be needed"
4. From the second drop down box, select "the type of trust fund requested"
 - a. The drop down selected will indicate if the BA-109 should be completed. If the drop down does not speak to the BA-109, it is not required.
5. The next box is for discussion of the source of funds, describe in sufficient detail the source of funds that will support the trust fund.
6. The next box is for discussion of what supports the establishment of the trust fund, describe (and attach) the documentation that supports the receipt of the requested trust fund including as applicable:
 - a. donor letters
 - b. contractual agreements (i.e. TSAs / testing service agreements)
 - c. other documentation that will help describe any restrictions, terms, or conditions related to the trust fund
7. The next box is for discussion of what the trust fund will be used for and its purpose, describe:
 - a. what the trust fund will be used for, and
 - b. the purpose of the expenditures (i.e.):
 - i. research support
 - ii. community services
 - iii. student support
 - iv. academic support
 - v. scholarships
 - vi. etc.
8. The next box is for discussion of how the project will maintain a positive cash balance, describe:

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- a. the cash working capital to be utilized to start the project and/or cover receivables.
 - b. The ongoing monitoring procedures utilized to ensure a positive cash balance is maintained.
9. The next box is for discussion of who is responsible for the Trust Fund:
- a. List the person that is primarily responsible for the trust fund on the first line with their name, business title, e-mail address, campus phone number and campus box.
 - b. List all other persons authorized to accept receipts and initiate disbursements from the project on the following rows.
10. The last box is to document the request and approval signatures:
- a. The person that is primarily responsible for the project should sign the request first and provide their business title and date signed.
 - b. The person responsible for review and approval of the request for trust funds should sign on the next line. This is often the Chief Business/Finance Officer.
 - c. If using e-mail to obtain signatures, please provide the e-mail string with names of the requester and approver; and type in the information required for the signature section.

BA-109 – SALES ACTIVITY QUESTIONNAIRE

1. Use the instructions tab for completing the trust form forms. The instructions provide for the proper use of the excel workbook, and the persons to get in touch with if you have a problem.
2. Using the excel spreadsheet, complete tab BA-108 first. If a BA-109 is needed the “Type of Trust Fund” selected will instruct you as to whether a BA-109 is needed.
3. If the BA-109 is needed, go to the [BA-109](#) tab
4. The top of the BA-109 will be automated from the information typed on the BA-108 for the following:
 - a. the college / department name
 - b. the OUC number
 - c. the suggested title of the requested trust fund
5. The next box is for identification of the Umstead Act provisions that allow the university to enter into the sales activities for the requested trust fund. From the drop down box, select the provision that best describes the sales activity. If you are not sure, just select – not sure need assistance.
6. The next box is for discussion of the projected revenue and costs from the sales activity.
 - a. Select from the first drop down box, the percentage that best describes the percentage of activity that is associated with on-campus sources.
 - b. Select from the second drop down box, the percentage that best describes the percentage of activity that is associated with off-campus sources.
 - c. For on-campus sources, check the box if a ledger 5 federal C&G project is or will be a customer of the trust fund.
 - d. For off-campus sources, check the appropriate boxes if goods / services will be provided to the general public or if there is or will be a specific testing agreement or contract service with customers external to the university.
 - e. For those activities that are serving ledger 5 federal grant projects, you should have completed and received an approval for a rate to charge the grants via the C&G form CG006. Please provide a copy of the approved rate setting documentation from the Office of Contracts and Grants.
 - f. For the first, second and third years, please provide the estimated receipts, costs, and net receipts over costs. Please indicate the costs amounts for each sub-cost category, as follows:
 - i. salaries
 - ii. fringe benefits
 - iii. contract services
 - iv. travel

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- v. purchases for resale
- vi. supplies, postage, printing
- vii. utilities
- viii. rent/leases
- ix. university administrative charges
- x. equipment purchases
- xi. student grants

7. The next box is for discussion of the use of university resources to support the proposed sales activity:
- a. List all employees (professional or support staff) whose efforts directly benefit this activity and whose salaries will be proportionately charged to the trust fund.
 - i. Show the estimated time that each employee will spend toward the activity.
 - ii. Show how the salaries will be charged to the trust fund.
 - b. In the next section, describe the equipment that will be used in this activity and its funding source.
 - i. If the equipment was paid for from State funds, the University Budget Office will have to approve of its use in the trust fund.
 - ii. If the equipment was paid for from Federal funds, the Office of Contracts and Grants will have to approve of its use in the trust fund.
 - iii. If you have this approval, please provide it with the trust fund request, if not, we will follow up with these central offices.
 - iv. For State and Federal equipment, please provide a list of the equipment with the following information:
 - 1. a description of the equipment
 - 2. the CAMS #
 - 3. the estimated number of hours per year that the equipment will be used in this activity
8. The next box is for discussion of matters that effect the classification of the activity as either taxable or not taxable:
- a. From the drop down box, select the cyclical basis for the activity.
 - b. For the tax exempt purpose section, please check all the boxes that best describe the proposed activity. Box A.2 and A.3 must be checked in order to assure that the proposed activity is not in completion with a private enterprise.
 - c. For the research section, please check all the boxes that best describe the proposed activity.
 - i. If Boxes B.1, B.2, B.3, or B.4 are checked, the activity may be required to be a Contract and Grant activity. Please check with the

Office of Sponsored Programs about this activity before submitting the request to the Controller's Office.

- d. For the miscellaneous items section, please check all the boxes that best describe the proposed activity. If any of these items are checked, additional information as requested should be attached to the request.
9. The last box is to document the request and approval signatures:
- a. The person that is primarily responsible for the project should sign the questionnaire.
 - b. If using e-mail to obtain signatures, please provide the e-mail string with names of the requester and approver; and type in the information required for the signature section.

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APPENDIX C

UNDERSTANDING THE TRUST FUND AUTHORITY LETTER

After an appropriate request has been made for a Trust Fund and the University Controller's Office has reviewed the request, a decision is made based on the information provided as to the appropriate fund that should be utilized for the proposed activity. If the requested activity is representative of a Trust Fund, the University Controller will send (1) a memorandum to the Trust Fund owner regarding the approval of the request for a Trust Fund Authority – Subsidiary Account, and (2) the Trust Fund Authority – Subsidiary Account signed by the University Controller.

C-1 MEMORANDUM TO THE TRUST FUND OWNER

The memorandum regarding the request for a Trust Fund Authority – Subsidiary Account provides notification of:

- The approval of the Trust Fund and its name
- The determination that the Trust Fund activity is representative of a Trust Fund activity type that is authorized by the state and its legal citation
- That the Trust Fund activity will be accounted for and maintained in the University's Trust Funds
- The Project Reference Code (Trust Fund number) authorized for the tracking the Trust Fund activities
- That the official Trust Fund Authority – Subsidiary Account is attached and provides for (1) specific information regarding the coding of transactions, (2) the rules for source and use of funds, and (3) any restrictions over the spending of the funds

The memorandum also attaches required ownership responsibilities by references and links to the associated university policies, rules and regulations, spending guidelines, and trust fund guidelines

In addition, the memorandum provides specifics regarding the approval of the Trust Fund and may include the following:

- A positive cash balance must be maintained in this trust fund at all times. In the event that the Trust Fund incurs a deficit cash balance without approval from the Vice Chancellor for Finance and Business, the Trust Fund may be terminated and the department required to immediately cover the deficit from other available funds.
- Expenditures from this trust fund must be for the purposes provided for in the trust fund authority.
- Activities recorded in the financial system for this trust fund must be reconciled and reviewed no less than monthly. Documentation of the reconciliation and review must be maintained for audit purposes.

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- Gifts / Deposits are subject to the Donor's / Owner's restrictions and conditions. Expenses must be supported with adequate documentation to ensure compliance (*for ledger 7's & 9's*).
- This Trust Fund has been classified as **exempt** for food purposes subject to the Donor's / Owner's restrictions/conditions (*for ledger 35xxx, 7 & 9's*).
- This Trust Fund is subject to the same expenditure guidelines as State appropriated funds (*for upper level ledger 3's*).
- This Trust Fund must be self-supporting. Operating cost paid for by other projects must be reimbursed timely (*for upper level ledger 3's*).
- It is your responsibility, as owner of this Trust Fund to provide in writing to the Controller's Office, any change in the activities or information represented to us regarding this Trust Fund or if the ownership of the Trust Fund changes.
- When the need for the project ceases, please telephone the University Controller's Office at 5-6896 for direction and assistance in closing the project.

C-2 TRUST FUND AUTHORITY – SUBSIDIARY ACCOUNT (BA 111)

The Trust Fund Authority – Subsidiary Account (BA 111) is a template that is used by the University Controller's Office to officially approve the establishment of a Trust Fund. The template provides for:

- The establishment of the Trust Fund as part of the university's Trust Funds as provide by the referenced legal citation.
- The specifics of the Trust Fund established including:
 - Trust Fund Type
 - Trust Fund Name
 - Project Reference Code
 - OUC Name and Number
 - Owner Name and Title
- The revenue source authorized including the project name and number.
- The project(s) authorized and associated attribute codes including:
 - Project ID Name and Number
 - Program Name and Number
 - Subclass Name and Number
- An explanation of the purpose authorized for each project ID authorized including:
 - A description of the purpose, and
 - Any specific restrictions, terms or conditions

The Trust Fund Authority – Subsidiary Account will be official when signed and dated by the University Controller.

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TRUST FUND QUIZ

Following is a series of questions that test your understanding of trust fund accounting. You will need to print the quiz out and after completing the answers check you answers to the answer sheet. You can obtain the answer sheet by clicking on [ANSWERS](#). If you have any question about the answer sheet, please let us hear from you.

1. The accounting for financial transactions at North Carolina State University is based on the Fund Accounting Concept?
 - True
 - False
2. Fund accounting establishes separate accounting units for specific purposes and reporting needs but is not self-balancing?
 - True
 - False
3. Project ID is the most basic level for recording NCSU's financial transactions?
 - True
 - False
4. State appropriated receipts and trust fund receipts are recorded in State controlled budget codes?
 - True
 - False
5. Sales and service activities may be state appropriated or trust fund receipts?
 - True
 - False
6. Trust fund receipts are recorded in the University's trust funds?
 - True
 - False
7. Trust funds include F&A receipts?
 - True
 - False
8. The University Controller's Office approves all trust fund authorities?
 - True
 - False
9. The University is subject to the Umstead Act?
 - True
 - False
10. The University is granted its authority to establish and hold trust fund moneys through General Statute Chapter 116 and the UNC- Administrative Manual?
 - True
 - False
11. The definition of Institutional Trust Funds includes intercollegiate athletic funds?
 - True

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- False
- 12. Receipts belong to the General Fund Budget Code unless they are Endowment Funds, Debt Funds, Institutional Trust Funds or Special Funds as defined in the UNC Administrative Manual?
 - True
 - False
- 13. Entertainment expenses related to receipt supported extension instruction and public service activities are recorded in “Special Activities, Extension Instruction and Public Service” trust funds?
 - True
 - False
- 14. Trust funds must at all times maintain a positive cash balance unless prior approval has been obtained from the Vice Chancellor for Finance and Business or his designee?
 - True
 - False
- 15. All Sales and Service Trust Funds must follow the same spending guidelines as state appropriated funds except for “spending guideline” exceptions given to certain student auxiliary trust funds?
 - True
 - False
- 16. Sales and Service Trust Funds must reimburse all direct costs associated with the trust fund activity that is paid by state budget codes?
 - True
 - False
- 17. The principal person responsible for the trust fund is responsible for ensuring that the trust fund’s activity is reconciled on a monthly basis?
 - True
 - False
- 18. Trust funds are exempt from State travel policies on employee meals?
 - True
 - False
- 19. Departments must adhere to terms and conditions provided or made reference to in the fund authority letter?
 - True
 - False
- 20. The principal person responsible for the trust fund is responsible for ensuring that changes in the status of the project are communicated to the Controller’s Office?
 - True
 - False

QUIZ ANSWERS:

1. True - Accounting for financial transactions at North Carolina State University is based on the Fund Accounting Concept.
2. False – Fund accounting establishes separate accounting units for specific purposes and reporting needs **that are self-balancing.**
3. True – Project ID is the most basic level for recording NCSU’s financial transactions.
4. False – **Only state appropriated receipts** are recorded in State controlled budget codes.
5. True – Sales and service activities may be state appropriated or trust fund receipts.
6. True – Trust fund receipts are recorded in the University’s trust funds
7. True - Trust funds include F&A receipts
8. False - The University Controller’s Office approves all trust fund authorities **except for Contract and Grant funds (ledger 5) and Foundation Accounting funds (ledger 6).**
9. True - The University is subject to the Umstead Act
10. True - The University is granted its authority to establish and hold trust fund moneys through General Statute Chapter 116 and the UNC- Administrative Manual
11. False - **Intercollegiate athletic funds are defined as Special Funds** and are not Institutional Trust Funds.
12. True – Receipts belong to the General Fund Budget Code unless they are Endowment Funds, Debt Funds, Institutional Trust Funds or Special Funds as defined in the UNC Administrative Manual.
13. True - Entertainment expenses related to receipt supported extension instruction and public service activities are recorded in “Special Activities, Extension Instruction and Public Service” trust funds
14. True - Trust funds must at all times maintain a positive cash balance unless prior approval has been obtained from the Vice Chancellor for Finance and Business or his designee
15. True – Sales and Service Trust Funds follow the same spending guidelines as state appropriated funds except for “spending guideline” exceptions given to certain student auxiliary trust funds.
16. True – Sales and Service Trust Funds must reimburse all direct costs associated with the trust fund activity that is paid by state budget codes
17. True - The principal person responsible for the trust fund is responsible for ensuring that the trust fund’s activity is reconciled on a monthly basis
18. False –Trust funds are generally required to follow State rules and regulations as to employee travel. However, exceptions are allowed for entertainment meals related to development of gift support and for recruitment purposes. Expenditures for entertainment purposes would generally follow the rules for non-travel meals and may only be paid from exempt funds.
19. True - Departments must adhere to terms and conditions provided or made reference to in the fund authority letter
20. True - The principal person responsible for the trust fund is responsible for ensuring that changes in the status of the project is communicated to the Controller’s Office

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