

A MEMORANDUM OF UNDERSTANDING BETWEEN
VIRGINIA STATE UNIVERSITY
AND THE
VIRGINIA STATE UNIVERSITY FOUNDATION
CONCERNING RELATED POLICIES AND ADMINISTRATIVE PROCEDURES
January 2005

Policy A: That all communication to the Foundation, including the receipt of gifts, shall be addressed to and processed by the Development Office of the University (the "Development Office"). The Development Office shall employ the necessary personnel or contractor service, as agreed upon by the University and the Foundation, to conduct the day-to-day business of the Foundation. The parties shall agree upon a rate of reimbursement by the Foundation to the University.

Policy B: That all definitions of what constitutes endowment, quasi-endowment, unrestricted gifts and restricted gifts be obtained through reference to statements of the Governmental Accounting Standards Board and the Financial Accounting Standards Board, and to authoritative literature issued by the AICPA and NACUBO. Further, the Board of Directors of the Foundation shall be known as the "Trustees" for the purposes of this document.

Policy C: That endowment funds received by the Foundation shall be transmitted to the Foundation for investment, and that endowment funds received by the University shall be invested in the University's managed endowment funds. If funds received are made payable to the University, but intended for the Foundation, a check will be disbursed payable to the Foundation. Similarly, the Foundation shall do the same. In making deposits with the University or the Foundation, donor requirements will be observed at all times. For Athletic gifts and guarantees, the deposit shall be made in accordance with the instructions of the President, or his designee. The Foundation Trustees shall have the authority and ability to establish an account with the University. The University's Board of Visitors, in turn, shall have the flexibility to transfer funds to the Foundation, for investment purposes only and for disbursement as directed by the Board of Visitors, if it so desires. In the latter case, the Board of Visitors, in furtherance of its fiduciary responsibilities, must ensure that investment practices applied to funds deposited with the Foundation satisfy the prudent investment standard. Further, the Board of Visitors acknowledges that many colleges and universities in the Commonwealth of Virginia use their foundation(s) as the sole vehicle for investment and management of all contributions in their respective institutions. Therefore, the Board of Visitors and the Foundation hereby acknowledges that it is the Board's long term objective to evaluate and decide upon the applicability of a similar strategy that could result in the transfer of all investment accounts to the Foundation, recognizing that the Foundation exists for one purpose and one purpose only, and that is to support the University.

- Policy D:** That in the event a donor incorrectly designates the payee on a check in contradiction of instructions set forth in any accompanying correspondence, accounting conventions require funds addressed to the University to be deposited into the University's account, and then transferred via check to the Foundation; and vice-versa. This prohibits co-endorsing of checks.
- Policy E:** That all gifts, regardless of size, received and deposited by the University from the Virginia State University National Alumni Association, the Virginia State University Chapter Alumni Associations, the Virginia State University Booster's Club, the Shelton Matthews Foundation, or any other University affiliated outside entity, shall be deposited for investment with the Foundation, and disbursed to the University by the Foundation in accordance with the gift instructions dictated by the contributing entity, provided that they do not conflict with federal, state, University and NCAA laws and regulations. Gifts whose instructions conflict with any of the above regulations will not be processed and will be returned to the donors.
- Policy F:** That all gifts, regardless of size, received by the Foundation from the Virginia State University National Alumni Association, the Virginia State University Chapter Alumni Associations, the Virginia State University Booster's Club, the Shelton Matthews Foundation, or any other University affiliated outside entity, shall be disbursed in accordance with the gift instructions dictated by the contributing entity, provided that they do not conflict with federal, state, University and NCAA laws and regulations. Gifts whose instructions conflict with any of the above regulations will not be processed and will be returned to the donors.
- Policy G:** That the University shall maintain a set of accounts in its accounting records that shall (1) reflect receipt of any and all funds from the Foundation, and (2) record the purposes for which those funds were expended, including the identification of individuals receiving scholarships supported by funds provided by the Foundation. In limited cases, however, individual accounts may be established with the Foundation only when disbursements from the Foundation are necessary and preferred. In such event, it is important to observe all Federal, State, NCAA and University regulations.
- Policy H:** That the Foundation shall provide both the University controller and the University budget director with quarterly compilation statements, including accounting activity and balances, for all Foundation accounts (1) from which the University actively draws, or (2) upon which the University may draw.
- Policy I:** That each quarter, a Foundation representative shall attend the Board of Visitors meeting to present a written report on the activities of the Foundation.
- Policy J:** That the University, based on available balances received by the Foundation, will provide the Foundation with an annual proposed, summary-level, budget on or

about July 1 of each year, in which it anticipates the request for, the receipt of, and the utilization of funds held by the Foundation. This budget shall include scholarship fund allocations and proposals for use of restricted accounts held by the Foundation. The University must ensure that all donor requirements and criteria, as communicated by the Foundation to the University, are satisfied, or the University must reimburse the Foundation for all funds expended.

Policy K: That the University, upon receipt of Foundation approval of submitted budgets, will load budgets for Foundation accounts in the University accounting system. The University will permit expenditures by University Account Managers against those budgets and seek reimbursement from the Foundation each month for expenditures for the prior month. The Foundation will provide reimbursement to the University within thirty (30) days of receipt of the reimbursement request.

Policy L: That the University and the Foundation jointly agree to distribute each June the interest earnings generated by the restricted and endowment accounts from June 1 through May 31 of each year. Further, the University and Foundation have agreed to charge a one-time set-up fee of 1% (dollars or a percentage of the account balance) for establishing all new endowment accounts and will negotiate a reasonable annual administrative fee for all endowment and other accounts, debiting each account for its proportionate share of such administrative fee.

Policy M: That the University shall furnish to the Foundation a report containing the names of students who have received scholarships supported by funds flowing to the University from the Foundation at each occurrence when reimbursement from the Foundation is requested. At that time, each such request shall be accompanied by a written assurance that the University has fully complied with all appropriate criteria. If a subsequent audit reveals that the University's disbursements were made contrary to established criteria, the University would work in good faith over a reasonable period of time (approximately thirty (30) days) to resolve the matter with the Foundation.

Policy N: That all individuals or groups depositing scholarship monies in the Foundation shall be informed in writing by the Foundation that the University's Scholarship Committee is vested with sole responsibility for allocating scholarships to individual students, and that no stipulation shall be permitted that grants the donor or account manager authority to approve or co-approve scholarship recipients or award amounts. The Foundation shall return any and all funds deposited by individual organizations that seek to approve or co-approve scholarship recipients or awards and recommend that they seek legal advice concerning its ability to grant individual scholarships, while retaining a formal relationship with the University and tax-exempt status.

Policy O: That any group, or individual, whether currently established or to be established in the future, wishing to raise monies for the Foundation, or for the University,

must request in writing and obtain written approval from the President of the University, or his designee, before conducting such fund-raising efforts.

Policy P: In conjunction with the application of Policies G, J, and K, the Foundation shall only disburse funds for receipt by "the University" as may be requested by the University Controller. In the instance, under Policy G, when "... individual accounts may be established with the Foundation only when disbursements from the Foundation are necessary and preferred . . ." such disbursements for receipt by "other than the University" must be requested by the President, or his designee. In conjunction with University balances held by the Foundation under Policy C, or with gifts deposited under Policy E, the Foundation shall only disburse funds for receipt by the University as may be requested by the President, or his designee.

Policy Q: That any joint University account managers that need to be established for restricted accounts, other than those devoted to scholarships, shall consist of the most appropriate officials or faculty of the University, and the University's Controller. This procedure shall be implemented prior to the establishment of any such account.


Policy R: That the University and the Foundation jointly agree periodically to perform competitive and comparative formal assessments of interest and earnings performance of all invested restricted and endowment funds held by each body.

Policy S: That the Foundation and University agree to process matching gift forms, adhering to all corporate policies for processing and receipt of such funds. However, the Foundation shall only process the matching gifts form if the original contribution and matching gift have been deposited with the Foundation.

Policy T: The University will provide final fiscal year financial information to the Foundation no later than July 15. The Foundation with assistance from outside auditors shall provide audited financial statements to the University so that converted GASB 35 schedules can be accomplished by October 1 or earlier, of each year to facilitate compliance with GASB Statement 39, regarding the inclusion of the Foundation as a component unit of the University, provided the University and Foundation accounting systems have been concurrently updated. The parties recognize however that the Commonwealth requires state supported colleges and universities to comply with GASB Statement 39 beginning with the audit for fiscal year 2004 to enable the University to receive an unqualified audit opinion.

Approved and accepted on behalf of


Board of Visitors
Virginia State University



Ronald C. Johnson
Rector

11-11-05
Date

Board of Trustees
Virginia State University Foundation



Larry J. Sanders
President

11/15/05
Date