

Management and Use of University Funds

Policy 501

1 Introduction

1.1 The University receives funds from multiple sources. The purpose of this policy is to assist Appalachian State University ("Appalachian") in defining the acceptable use of funds for operations that support the mission of the University based on the source that the funds were received by the University.

2 Scope

2.1 This policy is applicable to all sources of funds received and managed by Appalachian, regardless of the original source of funds.

2.2 This policy is applicable to all sources of funds, including but not limited to state appropriations, student tuition and fees, contracts and grants, sales and services, student financial aid, noncapital gifts, investment income, capital appropriations, and capital gifts.

3 Definitions

3.1 General Funds

Includes all appropriations allocated by the North Carolina General Assembly or received by the University that are not classified as another fund. Examples of non-general funds include: Endowment Funds (N.C.G.S. § 116-36), Institutional Trust Funds (N.C.G.S. §116-36.1), Millennial Campus Trust Funds (N.C.G.S. §116-36.5), Distinguished Professors Endowment Trust Funds (N.C.G.S. §116-41.13), Proceeds of Bonds (N.C.G.S. §116-41.7), or Special Funds (N.C.G.S. § 116-36.2).

3.2 Endowment Funds

Gifts, devises, and any other property that may come to the trustees of the Endowment Fund from the Board of Governors of the UNC System or from any other source. Endowment funds also include the net proceeds received from operating electric power plants and distribution systems.

3.3 Institutional Trust Funds

3.3.1 Gifts, devises, and bequests not designated to the University's Endowment Fund, but designated to another University trust fund, as well as other income earned on the investment of Institutional Trust Funds and gifts and grants received for student loans (including federal and state contributions).

3.3.2 Moneys received by the University from federal contracts, grants, and agreements, including receipts obtained from the sale of surplus federal property that was originally purchased through a federal institutional trust fund.

3.3.3 Moneys received by non-federal contracts and grants or not includable in another category, including NC state agencies, political subdivisions of the state, other states and political subdivisions, other nations and political subdivisions, or any private entities where the University undertakes to conduct research, training, or public service programs.

3.3.4 Moneys collected by the University to support student extracurricular activities, including receipts from student activity fees established by the Board of Governors for the support of student organizations, student recreational activities, student entertainment, student publications and similar activities. This category does not include receipts related to the University's Intercollegiate Athletics program.

3.3.5 Institutional auxiliary enterprises and activities supporting scholarship funds and student activity programs. These are primarily self-supporting operations which exist primarily to furnish goods or services to students, faculty, staff, and other institutional programs. Examples include but are not limited to housing and residence life, food services, laundry services, the University bookstore, central stores (warehouse), motor pool, parking, printing services, utilities systems, athletic and recreation facilities, and other similar operations whose net revenues provide scholarship support or fund specific student activity programs.

3.3.6 Fees and other payments received for services rendered by medical, dental, or other healthcare professionals under an organized practice plan approved by the University or under a contractual agreement between the University and a

hospital or other health care provider.

3.3.7 Funds received from the disposition or sale of real property under the supervision or control of the University first acquired as a gift, devise, bequest, or purchased from Institutional Trust Funds. This category does not include net proceeds from the sale of property acquired from funds received as a grant from the state or a state agency.

3.3.8 Receipts from the operation and maintenance of institutional forests and farmlands to support related research, teaching, and public service programs.

3.3.9 Moneys received from activities that: (i) serve students or employees of the University or immediate family members or guests of students or employees; (ii) provide University related services or market University related merchandise to alumni of the University and their immediate family members; or (iii) activities that enable individuals to utilize the University's facilities, equipment, or expertise.

3.3.10 Funds received from the operations of certain programs of the State Education Assistance Authority.

3.3.11 Other receipts collected as student fees approved by the Board of Governors. These funds include education and technology fees, debt service fees, and other fees approved by the Board of Governors not listed in another category.

3.4 Millennial Campus Trust Funds

Revenues received by the University for rents, leases, charges, fees, and other income derived or in connection with property, projects, and facilities designated by the Board of Governors as a "Millennial Campus".

3.5 Distinguished Professors Endowment Trust Funds

Funds received by the University and matched with challenge grants to create endowments for selected distinguished professors to occupy chairs within the University. The ASU Foundation Inc. solicits and receives gifts from private sources to provide for matching funds to the trust fund challenge grants for the establishment of endowments for chairs within the University.

3.6 Proceeds of Bonds

Funds received by the University upon the issuance of debt. Interest earnings from bond or note proceeds are also deposited to these funds.

3.7 Special Funds

3.7.1 Funds received by the University from or for the operation of intercollegiate athletics programs. This would include sales and services revenue, student fees, and other income used for the operations of the University's athletics programs.

3.7.2 Funds held by the University as a fiscal agent for individual students, faculty, staff, or other organizations not affiliated directly with the University. These funds are commonly known as "agency" funds.

3.8 Discretionary Funds

Unrestricted, undesignated donations made to a University related foundation or component unit. Donorrestricted gifts that allow for discretionary spending. Interest earned on specific types of Institutional Trust Funds.

4 Policy and Procedure Statements

4.1 Use of General Funds

Expenditures from the General Fund are subject to the State Budget Act and are to be made in accordance with provisions set forth in the State Budget Manual, the UNC Policy Manual, and guidance received from the Office of State Budget and Management (OSBM). Except for amounts allowed to be "carried forward", General Fund budgets are to be expended or reverted to the State by the end of the fiscal year. Expenditures from the General Fund are also subject to the provisions of Title 01 Chapter 05 of the North Carolina Administrative Code.

4.2 Use of Endowment Funds and Distinguished Professors Endowment Trust Funds

Consistent with North Carolina law, the University has established the Board of Trustees of the Endowment Fund of Appalachian State University ("Endowment Fund Board"). Management and expenditure of these funds is governed by an "Investment and Spending Policy" approved and adopted by the Endowment Fund Board in accordance with the board's by-

laws.

4.3 Use of Institutional Trust Funds

Expenditures from the University's Institutional Trust Funds are limited to purposes as defined by the trust fund authority and North Carolina law. Institutional Trust funds are subject to the oversight of the State Auditor (N.C.G.S. § 147-55 et seq.), but are not subject to the State Budget Act or State Budget Manual except for State travel polices, moving expenses, and capital projects authorized and executed in accordance with N.C.G.S. § 143C-8-8 and N.C.G.S. §143C-8-9. No disbursement may be made for a purpose not specified in the appropriate fund authority or contrary to any specific restrictions, terms, or conditions placed on the use of the funds by a third party or legislation. Expenditures from Institutional Trust Funds are subject to the provisions of Title 01 Chapter 05 of the North Carolina Administrative Code.

4.4 Use of Millennial Campus Trust Funds

The net proceeds received from Millennial campus activities are to be deposited into a restricted trust fund and may only be used to further the development of the Millennial Campus including its operational development. Millennial campus Trust Funds are exempt from the State Budget Act except for N.C.G.S. §143C-8-1 et seq.

4.5 Use of Proceeds of Bond

Proceeds from the issuance of debt can only be expended as allowed by the bond or note indenture.

4.6 Use of Special Funds

4.6.1 Expenditures from intercollegiate athletics funds are subject to the same provisions as the Institutional Trust Funds, except disbursements must also be made in compliance with the National Collegiate Athletic Association's (NCAA) compliance rules.

4.6.2 In general, the University does not set guidelines for the expenditure of agency funds. The following policy statements apply to agency funds:

(i) a formal approval process to disburse funds must be established, and (ii) funds should not be spent for any purpose that may be deemed detrimental to the image of the University.

4.7 Policy Administration

The Vice Chancellor of Business Affairs (the "Vice Chancellor") is responsible for the administration of this policy, which includes providing oversight of the Finance and Administration Division of Business Affairs who has the authority to develop and implement procedures, standards, and guidelines to facilitate the management and use of funds received by Appalachian regardless of the source of funds.

4.8 Administrative Responsibility

Appalachian departments, units, and responsible individuals of University funds must ensure that the use of funds complies with all applicable policies and procedures established by the University in order to meet its fiduciary obligations to the State of North Carolina.

4.9 Legal and Regulatory Requirement

Administration of this policy and related University procedures shall be consistent with applicable federal and state laws and regulations, and managed in compliance with policies established by the University Of North Carolina Board of Governors.

5 Additional References

North Carolina State Budget Manual
UNC Policy Manual 600.2.4
UNC Business Process Standards General Accounting
UNC Business Process Standards Contracts and Grants
UNC Business Process Standards Financial Aid
Appalachian State University Self-Assessment of Internal Controls Over Financial Reporting

6 Authority

N.C.G.S. Chapter 143C. State Budget Act
N.C.G.S. § 116 et seq.
NC G.S. Chapter 138. Salaries, Fees, and Allowances
The UNC Policy Manual

7 Contact Information

Office of the Controller - 828.262.2110

8 Original Effective Date

9 Revision Dates