

# ***UIC***

## ***2008 Bringing Administrators Together Conference***

**Current Issues In Accounting**

**March 6, 2008**

**2:15 to 3:30PM**

# *Workshop Objectives*

- Communicate Donor Intent compliance concerns
- Proper Accounting for fundraising events
- Up to speed with Property Accounting
- Self-Supporting fund issues
- When/Where sales tax collection is required
- UBIT—Overview

# Workshop Presenter(s)

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# *Workshop Presenter*

John Laroe, CPA, CIA

Business & Financial Specialist  
University Accounting Services

– Gift Funds

# ***Gift Funds Overview – Today's Topics***

- **Useful Tools and Websites**
- **Donor Intent Compliance**
  - Gift Fund Transfers
  - Student Payment Issues
    - Scholarships vs. Graduate Student Fellowships vs. Student Awards/Prizes
- **Accounting for Fundraising/Development Activity**

# *Useful Websites & Tools*

The websites below are very useful reference tools to use when managing & monitoring gift fund activity:

- [University of Illinois Foundation \(UIF\) Online](#)
- [Gifts and Endowments](#)--Section 11 of the OBFS Policies & Procedures Manual
- Gift Fund FAQs [web version](#) or “[printer-friendly](#)” pdf version
- [Forms](#) for [Fund Maintenance](#) or [Fund Creation](#)
- Other Useful Tools
  - [Rogue FOAPAL reports](#)
  - [Unused FOAPAL Codes](#)
  - [Financial Manager & GLDC Information](#)

# ***Donor Intent Compliance***

- Good Stewards of University Funds
- Maintaining Positive Donor Relations
- Audits and Internal Reviews
- Positive Impact on Your Unit's Operations

# *Gift Fund Transfers*

- Transferring Lump Sum Amounts from One Gift Fund to Another Gift Fund
- All Transfers Must be in Compliance with:
  - Donor Intent Restrictions
  - Fund Accounting Rules
    - **Cannot** complete fund transfers between gift funds & other fund types (e.g., ICR funds, self-supporting funds, state funds)
    - **Cannot** complete funds transfers using expense account codes
  - Gift Fund Transfers FAQ



# *Gift Fund Transfers*

- Logistics for Completing Gift Fund Transfers:
  - 417001 account code on both sides of the JV
  - 104 rule code/journal type on both sides of the JV
  - **Debit** (+) the fund where the money is coming **out** of
  - **Credit** (-) the fund where the money is going **into**
- Approval Queue –
  - Transfers are reviewed & approved (if appropriate) by the following business day
- See our applicable [Gift Fund FAQ](#) link which provides further details on this process

# *Student Payment Issues*

- Scholarships vs. Graduate Student Fellowships vs. Student Awards/Prizes
- Expenditure of Gift Funds--Section 11.10 of the OBFS Policies & Procedures Manual
- Financial support for students; **not** to be used to purchase research supplies, pay for payroll expenses of employees, etc.
- **Not** related to employment issues – services **not** to be rendered by students to the University in return for these payments

# *Student Payment Issues*

- **Scholarships – defined:**
  - Financial support to undergraduate, graduate, and/or professional students based on academic achievement, need, or other criteria established by the donor.
  - Scholarships include outright financial aid, trainee stipends, and tuition and fee waivers which are used to aid students in the pursuit of their studies (i.e., these payments are typically used by the students to offset educational expenses such as tuition, fees, room & board, books, school supplies, etc.).
  - Recipients of scholarships are not expected to render services to the institution as a consideration for their scholarship, nor are they expected to repay their scholarships.
  - Scholarships are generally processed through the applicable campus' Office of Student Financial Aid.
  - Expense Account Code 181100
  - Program Code 191787

# *Student Payment Issues*

- **Graduate Student Fellowships – defined:**
  - Financial aid and trainee stipends to graduate students to aid in the individual's pursuit of study or research.
  - Recipients of graduate student fellowships are **not** expected to render service to the institution as consideration for their fellowship, nor are they expected to repay their fellowship award. Thus, fellowships do **not** include funds for which services to the institution must be rendered, such as assistantships or payments for teaching, which both require performance or service on the part of the individual.
  - Graduate Student Fellowships are typically processed through the campus' applicable Graduate College.
  - Expense Account Code 181300 or 281300
  - Program Code 191788

# *Student Payment Issues*

- **Student Awards/Prizes – defined:**
  - A direct financial payment to graduate, undergraduate, and/or professional students based on achievement, performance or other criteria.
  - These awards/prizes are made in the form of a direct monetary payment to the student, and are **not** related to employment services.
  - Typically, unless otherwise stated in the donor governing document, there are no restrictions on how the student can use the award money (i.e., this money can be used by the student for any purpose; it is not limited to strictly educational expenses), and these award payments are typically the result of an award/payment issued to a student as a result of the student's performance in some sort of competition or contest. These payments to the students would typically be considered taxable income to the student.
  - Prizes and awards are generally processed through University Payables, typically via a direct payment to the student.
  - Expense Account Code 181900
  - Program Code 191789

# *Accounting for Fundraising & Development Activity*

- Necessary to track fundraising & development expenses so the University of Illinois Foundation can analyze effectiveness & efficiency of units' fundraising & development efforts
- Coding of Fundraising Costs--Section 11.6 of the OBFS Policies & Procedures Manual
  - Recently updated; includes:
    - Definitions and examples of fundraising vs. non-fundraising expenses
    - Details on coding requirements for C-FOAP strings used to pay for fundraising costs
    - Guidance on how to cover fundraising costs

# ***Accounting for Fundraising & Development Activity***

- **Examples of Fundraising/Development Expenses:**
  - Salaries for development office personnel and development office operating expenses
  - Expenses incurred in publicizing and conducting fundraising campaigns
  - Expenses incurred in conducting special events primarily intended to cultivate donor relations in support of development goals
  - Expenses incurred in acknowledging gifts and providing stewardship to donors and prospective donors
- **Fundraising Expense (FAQ)**

# Contact Information Gift Funds

- University of Illinois Foundation
  - [newaccounts@uif.uillinois.edu](mailto:newaccounts@uif.uillinois.edu)
  - (217) 333-0675
  - [www.uif.online.edu](http://www.uif.online.edu)
- University Accounting Services
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# *Workshop Presenter*

Denise Stanley

Director University Property Accounting and  
Accounting Information Management

- Recent changes and reminders in Property Accounting

# *Property Accounting Overview—Today's Topics*

- Electronic vs. Non-Electronic Account Codes
- Biennial Inventory deadlines
  - Certification Letter March 31, 2008
  - Pending Resolutions June 30, 2008
- Property Accounting web page
- Property Accounting classes & schedule

# ***Property Accounting classes & schedule***

- **Introduction to Fixed Assets (FA 101)**
  - This course provides an overview of property accounting and discusses policies and procedures that affect property accounting. Topics covered include the impact on property accounting of different acquisition methods along with an explanation of organization codes, account codes, location codes, commodity codes, and entity codes. Asset reference numbers and physical labeling will also be discussed. You will also learn how to view fixed asset records in Banner and run fixed asset reports in EDDIE with hands-on exercises.

**March 11, 2008**

**May 6, 2008**

**August 12, 2008**

**November 4, 2008**

# ***Property Accounting classes & schedule***

- **Fixed Assets Disposal & Redistribution Processes (FA 104)**
  - This course will focus on how to perform fixed assets transactions such as loans, transfers and disposals. You will review the forms used when working with these transactions. Hands-on exercises will show how to properly complete the forms. There will be discussions of policies and procedures that affect transactions.

**March 12, 2008**

**October 7, 2008**

# *Property Accounting classes & schedule*

- **FABweb**

- This course provides an overview of FABweb procedures that the units will use to process new acquisitions into the Banner Fixed Asset module and to update records for existing fixed assets. Also, there will be an overview of Banner Fixed Asset and you will learn how FABweb interacts with this module and with other Banner processes.

**March 13, 2008**

**May 7, 2008**

**August 13, 2008**

# Contact Information Property Accounting

- Denise Stanley
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# *Workshop Presenter*

Roger Wade, CPA

Business & Financial Specialist  
University Accounting Services

- Self Supporting Funds
- Sales Tax Concerns
- Unrelated Business Income Tax (UBIT)

# *Self-Supporting Funds Overview – Today's Topics*

- Revenue, Income, & Receivables--Section 5 of the OBFS Policies & Procedures Manual
- Self-Supporting Funds--Section 5.2 of the OBFS Policies & Procedures Manual
- Recurring Issues
- Fact Sheets
- Excess Funds



# Recurring Issues

- **Acceptable type of activity**
  - Self-supporting funds are opened only for those activities that support and enhance the programs and missions of the campus. Any activity that is purely commercial in intent or nature should not be conducted nor have a fund authorized.
- **Restriction**
  - Self-supporting funds are not authorized to provide units discretionary funds that bypass the budgetary control processes.
- **Fee accounts**
  - Self-supporting funds may not be created to receive income from charges made to students for instructional or laboratory usage, breakage, supplies or any other similar purpose.
- **Revenue recorded as negative expenditure**
- **Expenditures charged elsewhere**
  - Self-supporting funds may not be created to receive income that has its offsetting expenditures funded from other funding sources.

# Fact Sheets

- Fact Sheets due July 23, 2008, period 12 closing data
- Source of revenue data
- Inventory
  - Valued at cost
- Accounts Receivable
  - To non-University entities **not** recorded through the General or Student Accounts Receivable process
- Deferred Revenue
  - Income received in current fiscal year for goods or services to be provided in the following year
- Accounts Payable
  - To non-University suppliers for goods or services received prior to June 30 that are not recorded in Banner

# Excess Funds

- State of Illinois Legislative Audit Commission  
*“University Guidelines 1982”*
- Based on Entity totals, not individual Fund
- Computation of Excess Funds
  - (Cash + Investments) – Highest month expenses – (Accounts payable + Accrued payroll) – Encumbrances – Deferred revenue – Deposits – Average transfers & Administrative allowances – Accrued vacation & sick leave – Margin of Compliance
- Avoid Excess Funds
  - Match revenue & expenses
  - Include salaries & wages of individuals involved
  - Review rates regularly
  - Report all payables and deferred income
  - Planning prior to year-end—University Accounting Services performs preliminary calculations beginning in March or April and contacts departments with funds in entities with potential excess funds in an effort to identify problems and efforts to eliminate excess funds.

# ***Sales Tax Overview – Today's Topics***

- General Information
- Taxable Sales
- Tax-Exempt Sales
- Occasional & Noncompetitive Sales
- Taxability of Purchases

# *Sales Tax*

- General Information
  - Sales and Use Tax--Section 18.6 of the OBFS Policies & Procedures Manual
  - Current tax rates
  - Information on taxability and exemptions for other states

# ***Taxable Sales***

- Sales of tangible personal property
- Includes sales from fundraisers or sales of clothing (t-shirts, caps, jackets, etc.) to students, employees, alumni or other individuals

# Tax-Exempt Sales

- Sales for resale
  - Obtain a Certificate of Resale, IDOR Form CRT-61, that includes the customer's resale number
- Sales in interstate commerce
  - Product is shipped to a location outside Illinois and to a state in which the University is not registered
  - The University is a member of the Great Lakes State Tax Enforcement Pact that includes Indiana, Ohio, Michigan, Minnesota and Wisconsin
  - A listing of the states in which the University is registered
- Sales to exempt organizations
  - Obtain a copy of the organization's exemption letter issued by the Illinois Department of Revenue (IDOR)
  - Sales to otherwise exempt organizations (including University units) are **taxable** when an individual is the ultimate consumer of the property transferred and that individual reimburses the exempt organization or University unit for the expense incurred.
  - Sales/Transfers between two University units (i.e., sales of office supplies by a stores/service unit to a campus unit) are nontaxable and not reported to IDOR

# ***Tax-Exempt Sales cont.***

- Sales of service
- Other items specifically exempted
  - Dining facilities located on the University's premises with sales limited to students through student contract meal passes/tickets
  - Meals served to students of qualifying programs in closed dining facilities restricted to only such students
  - Auctions of tangible personal property (donated or purchased) that the University is not in the business of selling and where the University is disclosed as the principal
  - Cash refunds for taxable sales previously reported
  - Sales of newspapers and magazines



# *Occasional & Noncompetitive sales*

- Occasional sales by a nonprofit organization are those not offered on a continuing basis (defined by IDOR as not more than twice per calendar year)
- Noncompetitive sales are those that are not competitive with business establishments and that occur not more than twice per year
- Since the University has only one exemption number for all campuses, the IDOR views the entire University as one organization. Therefore, the entire University is allowed only two such activities per calendar year so all units should collect and pay sales tax on these sales.

# ***Taxability of Purchases***

- IDOR granted University a governmental exemption from sales & use taxes
- Not exempt from Hotel Operators' Occupation Tax
- Tax Exempt Letter January 2005
- Purchases for resale, vendor required to obtain IDOR Certificate of Resale Form CRT-61 for UIC

# *Unrelated Business Income Tax Overview—Today's Topics*

- UBIT criteria
- UBIT Questionnaire
- Exceptions/Modifications
- Special Rules
- Allowable deductions

# *Unrelated Business Income Tax (UBIT)*

- The University exempt from income tax, unless income from activity meets ALL of these criteria
  - Must be a “trade or business”
  - Must be regularly carried on
  - Must not be substantially related to IRC section 501(c)(3) exempt purpose

# ***UBIT***

## ***Questionnaire***

- The UBIT questionnaire should be completed and returned to University Tax for consideration of the tax consequences prior to the start of the project. However, classification as an Unrelated Business Activity does not, in itself, constitute grounds for withholding approval of an activity.

# ***UBIT***

## ***Exceptions/Modifications***

- Exceptions for trade or business
  - Convenience of students, employees, patients
  - Conducted with a volunteer labor force
  - Selling merchandise substantially all of which was received as gifts or contributions
- Modification
  - Income from dividends, interest, royalties and rental of real property

# **UBIT**

## **Special Rules**

- Parking facilities owned by the University and used by faculty, staff and employees are not subject to UBIT. However, if the University operates a parking facility used by members of the general public, the parking fees are taxable.
- Income (ticket sales, etc.) from an athletic program including the sale of exclusive broadcasting rights is excluded
- Commercial advertising sold by the University in publications and athletic broadcasts may be considered unrelated
- Certain “qualified sponsorship payments” are not included
- Presentation of performing arts by students is not an unrelated activity, and the appearance of professional artists may also be related. The IRS determines whether the income from professional performances is unrelated by looking at how the event is conducted, not its content.

# ***UBIT***

## ***Special Rules cont.***

- Retail sales from the operation of a general book and supply store on the University's campuses for the convenience of the students, faculty and staff generally are exempt from UBIT. However, not all sales are considered related. When such stores are open to the general public, sales to the general public should be reported as unrelated business income.
- Food service activities open to the general public are generally considered unrelated business activities. Food service at an exempt activity where food is available only to attendees is exempt.
- Income from scientific research carried on in the public interest is exempt.
- Income from ordinary testing or inspection of materials commonly carried on as an incident to commercial or industrial operations where no intellectual questions are posed would constitute unrelated business income.



# ***UBIT***

## ***Allowable Deductions***

- Expenses directly related to production of unrelated business income
- Expenses indirectly related to production of unrelated business income
  - Personnel expenses
  - Expenses related to facilities used in production of income (utilities, depreciation, etc.)
  - Must be allocated between related and unrelated activities on a ***reasonable*** basis

# Contact Information Self-Supporting Funds

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- Roger Fredenhagen, University Accounting Services
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  - 217-333-7156

# Contact Information

## Sales Tax

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- Terry Thompson, Director of University Tax
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  - 217-244-8359
- Carl Patterson, Assistant Director of University Tax
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# **Contact Information**

## **Unrelated Business Income Tax (UBIT)**

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# *Workshop Summary*

- Gift Fund compliance
- Property Accounting update
- Self-Supporting Funds
- Tax issues on campus
- Watch for presentation materials posted to the UIC conference website
- Complete workshop evaluations