CALIFORNIA STATE UNIVERSITY
Developed by the Financial Officers’ Association and Auxiliary Organizations Association to assist campuses in implementing Executive Order 919

IMPLEMENTATION GUIDELINES
NOVEMBER 2005
Approved by CABO

Policy Governing Non-General Fund Receipts
Executive Order 919
TABLE OF CONTENTS

1.0 INTRODUCTION ................................................................. 2
2.0 ABBREVIATIONS.................................................................. 2
3.0 DEFINITIONS ...................................................................... 3
4.0 PRINCIPLES ...................................................................... 7
5.0 FREQUENTLY ASKED QUESTIONS (FAQ) ......................... 8
1.0 INTRODUCTION

The purpose of Executive Order 919 is to provide guidance to campuses on the administration of their non-General Fund receipts that are subject to local campus control, to ensure that the funds are held in proper accounts and are administered in accordance with applicable laws and regulations.

Though the significant majority of funding for the California State University system comes from the State General Fund, campuses are increasingly reliant upon alternative funding sources to be able to provide the educational services needed by students. Those alternative sources include donations, fees for services/facilities, and income from Enterprise Operations (such as parking operations), continuing education programs and campus Auxiliary Organizations. Campuses, including their Enterprise Operations and Auxiliary Organizations, conduct a variety of activities that generate supplemental revenue. The following guidelines are intended to assist in determining where the receipts from such activities should be deposited.

2.0 ABBREVIATIONS

Following are abbreviations frequently used within this document.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AO</td>
<td>Auxiliary Organization</td>
</tr>
<tr>
<td>BOT</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td>CSU</td>
<td>California State University</td>
</tr>
<tr>
<td>DRF</td>
<td>Dormitory Revenue Fund</td>
</tr>
<tr>
<td>EO</td>
<td>Executive Order</td>
</tr>
<tr>
<td>FAQ</td>
<td>Frequently Asked Question</td>
</tr>
<tr>
<td>MOA</td>
<td>Master Operating Agreement</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>SRB</td>
<td>Systemwide Revenue Bond</td>
</tr>
</tbody>
</table>
3.0 DEFINITIONS

I. Organizations:

A. Campus: An entity of the California State University headed by a CSU President or the Chancellor. A Campus consists of a University, including its Enterprise Operations, and its Auxiliary Organizations.

B. University: In this document the University refers to the Campus entity exclusive of its Auxiliary Organizations. It does not mean the California State University system as a whole.

C. Enterprise Operations: University operated, self-support Campus activities ancillary to the instructional process, funded from the collection of specific fees authorized in the Education Code. The revenues of the programs may or may not be pledged to repay debt. Examples include student housing and Campus parking.

D. Auxiliary Organization: A separate 501(c)(3) non-profit corporation authorized in the California Code of Regulations to conduct activities essential to the educational mission of the Campus. There are, for example, commercial service auxiliaries (which operate bookstores or food services), foundations (which administer gifts, grants and sponsored projects), student body organizations, student union organizations, etc. These organizations are self-supporting and do not receive funding from State General Fund sources. Each has its own governing board but must operate in accordance with its Master Operating Agreement with the CSU Trustees. Per EO 698, each Campus’ president is responsible for oversight of each of its auxiliary corporations and has the authority to order cessation of any auxiliary activity deemed not in the best interest of the Campus.

II. Fund Types:

A. State General Fund(s): The meaning of this term can vary based on the context in which it is used. In its most universal usage or in plural (State General Fund; General Funds), the term refers to monies received into the State Treasury from the assessment of personal and corporate income taxes, sales taxes and other sources. Used in the context of CSU and in singular
(the General Fund), it can refer to that portion of the State’s General Fund that is appropriated to CSU as a state agency via the State Budget.

The term ‘General Fund’ can also refer to the recordkeeping breakdown required by fund accounting; in both the State and CSU accounting systems, the numeric identifier assigned to that recordkeeping breakdown is Fund 0001. For purposes of this document, the distinguishing characteristics of General Funds are that they come to CSU from the State, they are held in the State Treasury system and they are subject to State rules and regulations.

B. “Reimbursed Activities” in the General Fund: Within CSU’s General Fund 0001 accounting activity, there typically will be some receipts that do not originate from the State’s General Fund. This situation arises when General Fund resources have been initially expended but the General Fund is not intended to be the ultimate payor. The non-State receipt occurs when the ultimate funding source reimburses the General Fund.

To differentiate these transactions from other General Fund activity, they are recorded with internal accounting identifiers that denote “Reimbursed Activities.” The expenditures and reimbursements are recorded in separate accounts (as opposed to being netted) to preserve the visibility of the activity.

C. State Special Fund(s): In plural, the term refers to several sources of monies other than the General Fund, which, like the General Fund, reside in the State Treasury. Each source of money has a separate recordkeeping designation. The main sources of monies and their recordkeeping locations are listed below.

<table>
<thead>
<tr>
<th>Source of Monies</th>
<th>Recorded in:</th>
<th>Fund No:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocations to CSU from The California State Lottery</td>
<td>Lottery Fund</td>
<td>0839</td>
</tr>
<tr>
<td>Monies to be used to retire Revenue Bond debt</td>
<td>Dormitory Revenue Fund</td>
<td>0580</td>
</tr>
<tr>
<td>Fees collected for providing Continuing Education programs</td>
<td>Continuing Ed Rev Fund</td>
<td>0573</td>
</tr>
<tr>
<td>Monies received for specific, limited-term projects</td>
<td>Special Projects Fund</td>
<td>0947</td>
</tr>
<tr>
<td>Fees collected from Parking operations</td>
<td>Parking Revenue Fund</td>
<td>0583</td>
</tr>
<tr>
<td>Fees collected for providing Health Center Facilities</td>
<td>Facilities Revenue Fund</td>
<td>0581</td>
</tr>
</tbody>
</table>

With the exception of the CSU Lottery Fund 0839, for purposes of this document “Special Funds” refer to monies that do not come from the State,
but are held in the State Treasury system and are subject to State rules and regulations specific to the Special Funds.

D. Revenue Bond Program: The California State University (CSU) issues revenue bonds under a 1968 Bond Resolution to finance many of its capital projects. The debt financing is centralized at the CSU Chancellor’s Office, with oversight and ultimate approval by the CSU Board of Trustees.

On March 13, 2002, the CSU Board of Trustees adopted the Systemwide Revenue Bond Program (SRB) as the CSU’s primary mechanism to finance long-term capital projects. Under the SRB program, various long-term capital projects are pooled into a single bond series that are secured by pledging multi-source gross revenues (student housing, parking, student union, etc.) for the debt repayment. The SRB Program has been recognized by the CSU as a more efficient borrowing structure that provides improved flexibility in managing cash flows to operate enterprise activities. Prior to the SRB, the CSU Board of Trustees had financed long-term capital projects by issuing separate series of bonds relating to individual projects, or several similar projects, which were secured only by Campus’ gross revenues generated within a specified program (housing, parking, student union, etc.). Although bonds financed under the old method still exist, the SRB Program is used in a broad sense to define the debt financing program and not the method by which the bonds were initially financed.

The SRB Program is subject to the policy and procedures defined in the Executive Order 876 in association with the Bond Act of 1947 and the California Education Code (90010-90081).

E. Dormitory Revenue Fund (0580): This fund is the recordkeeping designation for the revenues received from the CSU’s enterprise operations that legally secure the SRB bond obligations. For example, Campus housing fee revenue that secures a revenue bond obligation for an acquired or constructed capital project is deposited into the DRF.

All sources of money deposited into the DRF are special funds that are held by the State Treasury and earn interest. These funds are used to pay for the cost of operations of an enterprise activity, such as salaries and supplies. In addition, the cash in the DRF may be transferred if needed to the Dormitory Interest and Redemption Fund (0578) to pay for related debt service, the Dormitory Building Maintenance and Equipment Reserve Fund (0575) to
POLICY GOVERNING NON-GENERAL FUND RECEIPTS

support minor maintenance projects and the Dormitory Construction Fund (0576) to aid in financing construction projects.

F. The CSU Trust Fund: This fund is the default recordkeeping designation for non-General Fund resources that CSU receives.

The CSU Trust is a Special Fund because it contains non-General Fund receipts. However, it is different from the other Special Funds because its monies do not have to be held in the State Treasury. Section 89721 of the Education Code grants this authority.

Section 89721 lists the types of receipts that may be held outside of the State Treasury. The list intentionally overlaps some of the receipt types for which Special Funds exist. As an example, fees for Continuing Education programs may be recorded in Fund 0573 CERF (and accordingly would be required to be held in the State Treasury) or they may be recorded in Fund 0948 Trust and held either in the State Treasury or externally.

Thus, while the CSU Trust may contain receipts that none of the other Special Funds will have (due to its ‘fund of last resort’ status), this does not mean that its contents are mutually exclusive of the other Special Funds.

For purposes of this document, the “CSU Trust” refers to monies that do not come from the State (except for Lottery allocations), are not required to be held in the State Treasury, but are nonetheless State assets and subject to State rules and regulations.

G. Local Agency Trust Account(s): This term refers to bank accounts that are held outside of the State Treasury system. It represents the deposit option that is unique to the CSU Trust Fund 0948. CSU has chosen, as a systemwide policy, to place such monies in the management of a CSU approved outside investment firm (currently Metropolitan West). These accounts are State assets and are subject to State rules and regulations.

H. Auxiliary Funds: This term refers to assets that belong to a CSU Auxiliary Organization (AO). These may be monies donated directly to an Auxiliary Organization for the benefit of a CSU University. Alternately, they may be monies received by the AO pursuant to a Master Operating Agreement in which the University contracted with the AO to perform certain activities. Examples of these types of receipts include revenues from
grants and contracts, bookstore and foodservice operations, workshops, and sales of services, etc.

For purposes of this document, “Auxiliary Funds” refer to monies that do not come from the State, are not held in the State Treasury system, which belong to the AO and are subject to AO rules plus certain CSU-imposed rules.

III. Agreements:

A. Master Operating Agreement: A multi-year agreement between the CSU Board of Trustees (BOT) on behalf of a University with one or more of the University’s Auxiliary Organizations that outlines the activities that are permissible under the California Code of Regulations (Title 5, Section 42500) and authorized by the University to be conducted by the Auxiliary Organization.

B. Subsidiary Operating Agreement: This is a contract between the University and the Auxiliary Organization, which defines a specific activity that will be performed by the AO. A Subsidiary Operating Agreement can take several forms including Memoranda of Understanding (MOU) or university/auxiliary developed forms. Regardless of the format of the Agreement, the content must specify source of funds, responsibilities for any losses, and expenditure and operational control (See FAQ 1).

4.0 PRINCIPLES

➢ It is the responsibility of each University to determine whether a particular type of receipt may properly be accepted for deposit on the Campus.

➢ It is the responsibility of each University to determine which entity on Campus may deposit the receipt.

➢ It is the responsibility of each Campus to ensure that all deposited receipts are administered in accordance with applicable laws and regulations.

➢ CSU State Trust is the default depository for all non-General Fund receipts that are not required to be deposited into a debt repayment fund.
Receipts may be deposited by an Auxiliary Organization if the activities are permitted by the Auxiliary Organization’s Master Operating Agreement and delegated to the Auxiliary Organization under a Subsidiary Operating Agreement and the AO maintains its status of an auxiliary organization in good standing.

Monies that are required under Campus policy or this executive order to be deposited into CSU State Trust may not be deposited into or transferred to an Auxiliary Organization with the intent to administer them as an agent of the University.

In the absence of clear authority to deposit a receipt into a Special Fund in the State Treasury, or CSU State Trust, or an Auxiliary Organization, it should be deposited into the General Fund to avoid the possibility of misdirecting General Fund receipts.

### 5.0 FREQUENTLY ASKED QUESTIONS

**Question #1: What factors determine and document “ownership” of an activity?**

**RESPONSE:** For the purposes of E.O. 919, ownership resides with the entity the University has determined has ultimate responsibility for the activity. Ownership of an activity by an auxiliary does not mean complete independence by the Auxiliary Organization since the Auxiliary operates for the purpose of supporting the University and operates within the agreed upon parameters that the University has delegated to the Auxiliary. Ownership is evidenced by documenting which entity has the:

- Authority to sign related contracts
- Risk of business loss
- Legal responsibility and liability exposure
- Fiduciary duty
- Policies that will govern the conduct of the program
- Administrative control over expenditures

Ownership of an activity is not necessarily evidenced by which entity:
POLICY GOVERNING NON-GENERAL FUND RECEIPTS

- Pays the employee or has signatory for the program
- Owns the facility where the activity occurs
- Has programmatic (i.e., subject-matter) control over expenditures

Other factors may influence a University decision whether to run an activity on the University or auxiliary side. For example: a University may decide to run an event on the auxiliary side in order to facilitate the hospitality aspects of the event.

Once ownership has been determined by the University, it follows that:

- Ownership (if other than State General Fund ownership) needs to be documented in a Subsidiary Operating Agreement between the entity and the University. In the case of auxiliary ownership, the subsidiary agreement will reference the Master Operating Agreement’s general authority to engage in this type of activity, and also document the elements of ownership (#a-g, above) that pertain in this specific case.

- Funds will be administered and expended according to the policies and internal controls that apply to the entity owning the activity.

- Revenues and expenses will be reported in the financial statements of the entity owning the activity.

E.O. 753 reimbursement issues will need to be addressed if State General Fund resources are being used to support a non-General Fund activity. As mentioned above, where an employee is paid, and where an activity occurs do not, in themselves, determine ownership, but these issues will need to be addressed in accordance with the particular University policy implementing E.O. 753.

Question #2: If Campus programs are conducted in University facilities, by employees who are paid by the University, does that mean they are owned by the University and must be administered in a University account?
Examples: A University department or organization sponsors a program or event (e.g., a conference); creates a center or institute related to its academic program (e.g., a speech and hearing clinic; an environmental institute); conducts entrepreneurial activities to raise money (e.g., faculty and students in the media/graphics area or in the engineering department contract with businesses in the community to provide a product (a marketing solution, a machinery part), and the revenue from the sale of the product goes into an auxiliary account to purchase needed equipment); establishes a self-support enterprise operation (e.g., the University’s public events series; a farm operation that functions as a laboratory for the students in the College of Agriculture’s degree program). (Note: A University’s academically related farm operation might be an example of a hybrid situation, where the Campus agreement might define respective ownership and respective risk between the University and the Auxiliary.)

RESPONSE: Not necessarily. Generally speaking, so long as the activity is permissible under Title 5 Section 42500, the Auxiliary maintains its status in good standing and so long as the University and Auxiliary have an agreement as to ownership, most of these activities could be run either on the University side or the auxiliary side. It depends on which organization the University has determined and Auxiliary have agreed will have the ultimate legal and fiduciary responsibility for the program. Ownership is demonstrated by the critical factors listed in the response to Question #1, above. The presence of University faculty/staff or University facilities, or fact that a University employee is the signatory on the account, are not the determining factors.

It helps to consider the distinction between the role of a project director, who is responsible for program design and execution, and the role of the administrative fiduciary – the organization that will be held accountable for the activity in terms of contract reliance, liability exposure, financial loss, compliance with law, required reports, audit, etc. The legal and financial fiduciary administratively approves the expenditures for payment after the project director (or other signatory) has signed programmatically requesting that payment be made.

It may help clarify this issue to consider a parallel with Contracts and Grants, the administration of which on many Campuses has been assigned to an auxiliary. Individual contracts and grants usually are conducted by faculty members. The faculty members are the experts in their fields of research, and in charge of the conduct of their projects in terms of subject matter or programmatic elements: they are accountable to their Deans and Provost for the success of the project from
a research or academic point of view. The auxiliary, however, is the organization that accepted the contract or grant on behalf of the University and has the fiduciary and compliance reporting responsibility. And it is the auxiliary that is legally liable for the product being produced, whose insurance coverage is on the line, who will be at financial risk if it goes over budget, and whose policies will govern the conduct of the program.

Thus, where the employee or signatory is paid, and where the activity is physically located, are not determinative of ownership. However, if an activity’s revenues are deposited in an auxiliary account, but there are expenses on the University side, the auxiliary must reimburse the University for the use of State General Fund resources in accordance with the Campus’ implementation of E.O. 753.

In those cases where ownership resides with the auxiliary organization, funds can be administered and expended according to the policies and internal controls that apply to auxiliary organizations – that is, regulations applicable to University funds do not apply. In addition, revenues and expenses will be reported in the auxiliary’s financial statements.

Question #3: Executive Order 919 indicates that all income from leasing or licensing of University facilities must be deposited into University accounts -- a General Fund account in the case of leases, a CSU Trust account for license income. What about when an auxiliary organization subleases the facility, or manages the facility of behalf of the University?

RESPONSE: Let’s consider leases first. When an auxiliary organization leases a facility from the University and then subleases it to another entity, the University must deposit only the revenue from the initial lease; the revenues from the sublease are deposited by the auxiliary. So long as the University receives appropriate consideration for the facility, then the auxiliary is free to perform value-added services and generate net income, and to maintain those funds in an auxiliary account, as appropriate under the terms of the applicable operating agreement.

The question arises: what constitutes appropriate consideration to the State for the lease of a facility? Does one employ a cost standard -- and if so, is it incremental cost or a pro-rated share of full costs? Or is market price the best standard to use --
and, if so, there are different definitions of market price depending on what services are packaged with it? Whatever specific principles are employed, a good general guideline is for the University to determine a reasonable value based on the particular situation, and then to document that decision and the rationale for it.

Of course, if the leasing auxiliary is utilizing State General Fund resources, E.O. 753 reimbursement issues come into play.

Next, let’s consider licenses (defined in the E.O. as non-exclusive permission to use a facility). It is clear that when a State facility is licensed the revenues need to be deposited to a State Trust account. Suppose, however, the University contracts with an auxiliary to license use of a State facility to other entities, and to manage all aspects of the licensing arrangements on its behalf. In other words, the auxiliary is not licensing the facility for its own purposes, but is acting as a management company on behalf of the University. In this situation, is it permissible for the auxiliary to deposit revenues into, and pay operating expenses from, an auxiliary account, so long as the net income is transferred to a State Trust account to be managed from there? Can the auxiliary be considered to be simply providing intermediary administrative and value-added services (e.g., marketing, negotiating fees, dealing with complaints, event management, arranging for ancillary services, etc.) in exchange for a fee?

No. If we return to the fundamental question of who has ownership of the revenues, the answer would be -- the University: it is the University that is bearing the business risk should the facility not be rented. Therefore, not depositing the revenues into a State account would violate the basic principle, stated in E. O. 919, that “auxiliaries may not accept state funds with the intent of administering them as an agent of the university.” The gross revenues from the licensing of the State facility would need to be deposited into a State Trust account, not just the net revenues, and the State could pay the auxiliary a management fee from the Trust for the services performed.

In order for the auxiliary to manage the facility in an auxiliary account, it would first need to lease the facility from the University. That would give the auxiliary ownership of the facility management program, and the revenues would be accounted for by the auxiliary, along with any profit (or loss) from the value-added services it provides.
**Question #4:** Can an auxiliary organization accept and administer funds from non-Campus entities?

**Examples:** In each of the following cases, a request is made to establish an auxiliary account into which revenues will be deposited and from which expenses will be paid for various program activities.

1. A professor has been asked to act as Treasurer for his professional academic organization for the coming year.

2. The University’s Student Affairs office is putting on a statewide conference.

3. An ad-hoc community-based organization called the Friends of the Library, concerned at the lack of State resources available to support the library, establishes a support group to generate awareness and financial support.

4. The county-wide arts alliance in the University’s service area needs to be affiliated with a non-profit organization (to act as fiscal agent) in order to receive grant funds.

5. A for-profit corporation that sells computer software to non-profits, CSU auxiliaries among them, wants to establish a statewide support group for all its users and run income and expenses through an account in the auxiliary.

**RESPONSE:** It is not an authorized activity of an auxiliary to serve as a fiscal agent or “bank” for external, unrelated entities that have little affiliation or connection with the academic or service mission of the University. In such cases the unrelated organization should establish a private banking relationship with an appropriate financial institution. On the other hand, auxiliaries maybe permitted to perform account management functions for authorized activities that directly involve and benefit the Campus community. The trick is to know how to differentiate between these situations and navigate the grey areas in-between on a case-by-case basis.

This decision, like the other E.O. 919 issues addressed in these guidelines involving auxiliary funds, boils down to the same sequence of fundamental questions:
POLICY GOVERNING NON-GENERAL FUND RECEIPTS

- Is it a permissible activity?
- Does the auxiliary own the revenue?
  Is documentation in place authorizing the account and delineating the auxiliary’s responsibilities with respect to the activity?

The authority to make such determinations rests with the University. In making these determinations it is helpful to ask the following kinds of questions:

*Does the University have a legitimate, substantive purpose for establishing an account in the auxiliary?*

This fundamental question has more than one layer to it. First of all, the activity must be of the general type authorized by Title 5, Section 42500 and permitted by the auxiliary’s Master Operating Agreement. On the local Campus level, the question becomes: Is the activity of the non-Campus entity, in the judgment of the appropriate University official, integral to the academic or service mission of the University or its auxiliary? Does it meet an important Campus need? Is it a natural extension of an existing academically related function?

Because of the critical nature of these questions, the University should establish a review and approval process for determining the appropriateness of the activity.

*Does the auxiliary have programmatic responsibility for the activity?*

Once it is determined that the activity is an authorized one, the next question is: What is the degree of auxiliary involvement in the activity? Does “setting up an account in the auxiliary” or “acting as a fiscal agent” for an outside activity means that the auxiliary is simply administering their funds like a bank? Generally speaking, it is the auxiliary’s role to hold and manage money that it owns, not to hold money owned by an outside entity. If, on the other hand, the auxiliary is administering a program (and not just money), or partnering with the entity in the activity, it is taking on the elements of ownership that we discussed earlier, thereby providing a rationale for depositing the funds in the auxiliary. More than simply receiving and dispensing funds on demand, the auxiliary reviews and administers fund activity in accordance with its administrative policies, and takes on liability risk and business risk. With ownership comes responsibility and risk and, for the program to make sense, the benefit to the Campus must outweigh these risks.
Are proper administrative procedures in place?

Once ownership has been established, it is important to document the relationship and ensure good management control. For example:

Has an appropriate University official (e.g., the President, a Vice President or their designees) formally approved the auxiliary’s relationship with the external entity, and approved the activity as a recognized program of the Campus?

Is there a subsidiary operating agreement in place detailing the services to be provided, and setting forth the rationale and authorization for the relationship with the outside entity? For example, the form used by the auxiliary to authorize and establish a new account can also be used to document guidelines for the relationship, clarify roles, and establish programmatic responsibility.

Will there be a University employee acting as the programmatic signatory on the auxiliary account for the activity? Someone within the University should have monitoring and oversight responsibilities for the program to ensure there is a continuing benefit to the University, that programmatic guidelines are followed, that no activities prove detrimental to Campus or its image, etc.

As with other decisions involving auxiliary funds, there are other considerations to keep in mind:

Are University and auxiliary costs being covered?

Will the activity to be conducted in the auxiliary involve University costs or resources? If so, E.O. 753 reimbursement issues need to be factored into the decision.

Is the auxiliary covering its costs of administration? That is, is an appropriate overhead fee being paid by the organization requesting the activity? It may not be appropriate for the Campus to subsidize the operation of an external organization, however supportive.

Are any State funds being administered through the auxiliary account?

Auxiliaries cannot act as the administrative agent for any State funds. If Student Affairs wants to use some State dollars to pay some of the conference expenses in
Example #2, it would have to administer these funds from a State account. Were Student Affairs to use State funds to pay an auxiliary catering bill, that would be permissible because it is a payment for services.

With this background, let’s discuss these principles with respect to the sample situations included as part of this question:

**Example #1:**
A University may well decide that it is not appropriate for an account to be set up for the outside professional organization. Most organizations of this nature will have their 501(c)(3) status, and it would not be appropriate for the auxiliary to manage or invest funds for an independent entity. The academic benefit to the professor and University is indirect or tangential, rather than integral and tangible. On the other hand, if a local chapter of the professor’s academic organization wished to contract with the auxiliary to, for example, use its conference services, that would be another matter. It would also be appropriate to establish an auxiliary agency account for an approved academically related or professional development activity undertaken by the University department itself, or by the professor himself: in this case the program would be Campus-based, not based with an external entity.

**Example #2:**
By contrast to the situation in Example #1, this statewide conference directly supports the professional development of University staff, and directly relates to the work they do for the Campus. Moreover, it is being sponsored by a University department and conducted by University staff, which means it could qualify as program and approved agency account of the auxiliary. In this case, the program is Campus-based – not owned by an external entity.

**Examples #3 - #5:**
In situations where the activity’s relationship to the institution is less clear-cut and subject to interpretation and judgment, it is necessary to have a review and approval mechanism in place. An appropriate University Official would need to determine that such an activity served a Campus need, was integral to its academic mission, or was an important public benefit to the University’s geographical service area. The University could conceivably determine that Examples #3 and #4 were appropriate Campus-affiliated programs to run through the auxiliary, whereas Example #5 probably is not.
The “Friends of the Library” (Example #3) would need to be formally approved by the appropriate University Official, as a support group to the University – especially if gifts to that organization are to be deemed gifts to the University and go through the Campus’ gift process.

Example #4: This probably involves grant administration services provided by the auxiliary to the outside organization. However, serving strictly as the fiduciary and compliance agent for the grant funds would not be appropriate unless there were also a programmatic aspect to the activity that the Campus was actively engaged in and that was beneficial to the University.

Question #5: Can an Auxiliary Organization deposit a gift as auxiliary revenue if the solicitation of the gift was made by a University employee and the check was made out to the University? What if the gift is intended to offset expenses already incurred?

RESPONSE: The answer depends on how the University has assigned ownership and responsibility for the acceptance and management of gift funds. In order for the auxiliary to deposit the gift, the auxiliary operating agreement must specify that the auxiliary is authorized to accept and administer gifts on behalf of the Campus. As mentioned in Question #1, where the employee who solicited the gift is paid is not determinative of ownership.

If the auxiliary is authorized to manage gifts, but the check is made out to the university, the auxiliary must either request the check be re-issued to the auxiliary by the donor or have the check endorsed by the University. (It may be prudent to notify the donor that the auxiliary will be managing the gift on behalf of the University.) The auxiliary must ensure that the expenditure of funds follows all state, CSU and Campus regulations applicable to the auxiliary and the expenditures are consistent with the terms of the donor agreement.

If the gift is received after expenditures are already incurred, an auxiliary or University department may be tempted to deposit the gift based on which entity already incurred the costs. Although the reimbursement of expenses is relevant to the management of the gift and must be addressed in accordance with EO 753 and the operating agreement with the auxiliary, this should not be a determining factor in identifying ownership. If the operating agreement specifies ownership
resides with the auxiliary, and responsibility for ensuring donor intent is thereby assumed by the auxiliary, it follows that the gift may be deposited with the auxiliary even though expenses have been incurred already in the general fund. The auxiliary, however, would be responsible for ensuring reimbursement for the costs incurred as long as the costs being reimbursed are consistent with donor intent.

**Question #6: What is the nature of student body fees?**

**RESPONSE:** Education Code section 89300 authorizes the CSU Board of Trustees to approve a student body fee for a University upon the favorable vote of two-thirds of students voting in an election on that University site and a recommendation of the University President. The fee applies to all regular, limited and special session students, where mandated by Education Code 89300-304 while attending the university.

Education Code section 89301 requires student body organization fees to be collected by the University and deposited in the custody of the University’s chief fiscal officer. Unexpended funds may be invested on behalf of the student organization by the University. Funds may be invested in accordance with Education Code and Trustee Policy. Investment earnings on those funds accrue to the student organization.

Education Code section 89302 specifies that student organization fees held in custody by the University’s chief fiscal officer be expended “on behalf of” the student body organization, in accordance with purposes approved by the (Board of) Trustees in the organization’s master operating agreement, upon presentation of an appropriate claim schedule by officers of the student body organization. The only exception to this standard for expenditures is that the University shall be reimbursed for its costs of accounting and custodial services.

Any unexpended balance of fees held by the University in custody for the student body organization at year-end (including fees invested on behalf of the student organization) should be reflected in the GAAP financial statements of the student organization as “receivable from the University.”

Other revenue collected directly by the student body organization for services authorized by its master operating agreement with the Trustees may be deposited
into the student body organization’s own bank account, and invested according to policy approved by the organization’s board of directors.