



Foundations Policy

Policy No. 01.04

I. PURPOSE

The purpose of this policy is to assure that, with regard to any foundation established to support Tennessee State University or its programs, the relationship of the foundation to the university is clearly defined and is set forth in a formal, written manner that (1) defines the legal authority and operating control of the university with respect to the foundation; (2) describes the relationship of the foundation to the university and the extent of any liability arising out of that relationship; and (3) demonstrates that the fund-raising activities of the foundation further the mission of the university.

II. DEFINITIONS

Foundation - For purposes of this policy, a foundation is defined as a tax-exempt, not-for-profit corporation, chartered within the State of Tennessee for the sole purpose of supporting and advancing the mission of an institution or its programs. This policy does not apply to foundations established solely to support TSU's research activities.

III. POLICY

A. The Foundation's Relationship to the university.

1. A foundation is not an operational function of the university; it is a separate legal entity. A foundation's identity must be maintained separate from TSU.
2. The foundation's relationship to TSU is based upon a shared interest in the university's development and success of the university's mission. Therefore, university participation in and support of foundation operations and activities are, therefore, appropriate and desirable.
3. The accountability of a foundation and of the university as it relates to the foundation is a concern common to the foundation and the university. TSU may not promote, encourage or agree to use of a foundation in ways that are, or appear to be, abusive, inappropriate, or do not follow sound business practices.

B. General Requirements

1. The governance structure of a foundation must be determined by the foundation. To ensure an appropriate level of university participation in the foundation governance, the university's president or designee may hold a voting membership on the foundation's governing body. In order to assure that the foundation acts as a separate entity, a quorum of its governing body may not consist of a majority of members who are employed by the university.
2. The foundation shall adopt an annual budget. In order to assure that the foundation's objectives are aligned with those of the university, TSU shall advise the foundation of its needs and priorities for the fiscal year in question.
3. The foundation may develop policies and procedures concerning its operations, including, but not limited to, the following:
 - a. Policies that address the solicitation and acceptance of contributions to the foundation. The policies must incorporate sound business principles and safeguard compliance with donor intent and conditions. Such policies shall provide that, prior to acceptance of any gift to the foundation that will require substantial institutional support such as staff, financial assistance, storage, on-going maintenance, etc., approval must be obtained from the university president or designee.
 - b. Policies and procedures that address the management and investment of contributions to the foundation, subject to the requirements of the Uniform Prudent Management of Institutional Funds Act, T.C.A. § 35-10-201 et seq.
 - c. Policies and procedures that address the foundation's procurement and contracting activities.
 1. Such policies and procedures shall implement sound business practices and prudent use of foundation funds, including encouragement of the use of competitive procurement of goods and services, when practicable.
 2. Such policies and procedures must include a process for determining authority for authorizing contracts on behalf of the foundation and for authorizing expenditure of foundation funds. Authority for these functions cannot be delegated solely to an employee of the university.
 - d. Policies that, in accordance with T.C.A. § 49-7-107(c), establish and adopt a code of ethics that apply to and govern the conduct of all members of the foundation's governing body.
 - e. Policies that identify who may release the foundation's records upon receipt of a request.
4. No university funds, including contributions to the university, may be transferred directly or indirectly to the foundation; provided, however, this shall not prohibit TSU from providing in-kind services to the foundation, such as office space and the use of support staff. It is understood that instances may occur where a donor inadvertently directs a contribution to the university which is intended for the foundation. Procedures should be established to clarify donor intent.
5. Foundations must respect Board and university authority over personnel administration. Foundation expenditures for compensation and other payments to

or for the benefit of university personnel and reportable as income to the recipient, such as salary, expense accounts, automobiles, club or other organization memberships and dues, etc., must be approved in advance, annually, by the university president, unless the salaries funded by the foundation are in accordance with TSU's compensation plan and included in TSU's personnel budget. Advance approval of the Board of Trustees shall be required if payments outside the compensation plan are made to or for the benefit of any employee, including the president, and if the aggregate value of such payments to any individual employee exceeds fifteen hundred dollars (\$1,500) per fiscal year. This provision does not apply to reimbursement of business expenses incurred by employees or to non-taxable recognition awards given to employees.

6. The foundation's governing body shall issue reports, at least annually, on the activities of the foundation, which shall be submitted to the president or designee. An annual financial report shall be issued, prepared in accordance with generally accepted accounting principles, including all required note disclosures.
7. In accordance with T.C.A. § 49-7-107(b), all annual reports, books of account and financial records of the foundation shall be subject to audit by the Comptroller of the Treasury of the State of Tennessee. Records and accounts maintained by the foundation shall be audited on the same cycle as the institutional audit performed by the Comptroller, or, with the prior approval of the Comptroller, an independent public accountant may perform such an audit. All annual reports, books of account and financial records of a foundation shall be available for audit by the internal auditors of TSU.
8. The President or designee shall have the authority to grant exceptions to this policy when deemed appropriate and necessary. An exception must be requested and granted in writing.

Reference: TBR 4.01.07.02 Foundations

Adopted: June 2020