



<b>Topic: STUDENT ORGANIZATION BUILDING FUNDS</b>		
<b>Policy # FA-1</b>	<b>Version: 1.0</b>	<b>Effective Date: 12/1/2010</b>

**Purpose:**

The purpose of this policy is to clarify the use of funds that have been contributed with a stated preference for a Student Organization’s building fund. This policy applies only to funds that have been established for Student Organization building funds.

**Policy Statement:**

Funds that are contributed with a preference for a particular Student Organization’s building fund are considered unrestricted gift funds. The University of Alabama (UA) has no stewardship obligation to the donor to expend the funds in the manner specified. However, as the University has many Student Organizations with living facilities on campus, designating funds to be used under the University’s control for these facilities is an important part of the University’s mission as a residential institution. In addition, the University pays to insure these facilities through the state building insurance program, and title to the land and facilities remains vested in the University. These unrestricted gift funds are assigned individual fund numbers (a 5-digit number beginning with the number 16, i.e., 16XXX) that the University designates to the particular Student Organization building fund to allow the reporting of the revenues and expenditures of the fund.

**Definitions:**

Gift-A gift is a voluntary transfer to the University of an item of value, usually in the form of cash, checks, securities, real property or personal property for which the donor receives no compensation or significant benefit or value. Gifts may come from individuals, corporations, foundations, and other sources.

In general, the University’s policy does not allocate investment income to balances in designated fund accounts; however, an exception to this policy is made for the Building Fund accounts that provide support for housing for UA students. Therefore, the designated building funds that have a balance greater than \$5,000 will earn investment income at the University’s short term rate.

**Background:**

In 2005, The University of Alabama established a program to provide financial assistance to UA Student Organizations to help those organizations improve the quality and safety of the residential options those organizations provide to our students. This program has supported the construction of several new Student Organization facilities and renovations and additions to many others.

As part of the program, the University has accepted gifts from alumni and friends that were used for construction and renovation projects. The funds were placed in University accounts that were designated for specific construction or renovation projects (building accounts).

This policy codifies this process.



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**Policy:**

Unrestricted gift funds, which the University has designated for Student Organization buildings (designated building funds), shall be subject to the following policies with respect to the receipt and expenditure thereof:

Specific designations by donors regarding the expenditure of gifts or bequests are communicated to the Office of Advancement Services. Unless otherwise determined, only those gifts received with a stated preference for a Student Organization facility will qualify as designated building funds.

- a. These unrestricted gift revenues shall be promptly transmitted to the Office of Advancement Services, deposited in University of Alabama bank accounts, and invested or disbursed through normal procedures, appropriately recorded and separately accounted for in University ledger accounts. Advancement Services will provide a donor with an official University gift receipt. In addition, gifts that exceed \$5,000 will receive a letter from the President of the University. Expenditures from these designated building funds will be documented and processed for payment in accordance with the policies and procedures set forth below and with such additional instructions to implement these policies and procedures as may be established from time to time by the Vice President for Financial Affairs and Treasurer.
- b. Proposals for the establishment of a designated building fund shall be directed to the Office of Advancement Services. An account will be established for the disbursement of the funds received.
- d. The building funds shall be used only for the direct benefit of the facility for which the funds are designated. Any separate benefit which might accrue to the donor, or to a faculty or staff member, from the use of such funds must be clearly incidental to the primary purpose for which they were received and accepted. Building funds will not be established where the major contributor and principal user or person controlling the fund is the same individual.
- e. With the best interest of the University as the guiding premise, **prudent judgment and reasonableness will govern the general range of allowable expenditures from designated building funds.** All designated building funds must be expended for purposes allowed by the University of Alabama's policies and regulations covering public funds generally.
- f. Building funds shall be expended through the use of normal University forms, accompanied by receipts or vendor invoices and must be approved by the appropriate fund custodian.
- g. All pertinent records related to the receipt and disbursement of building funds shall be maintained in accordance with University regulations. These designated building fund accounts, just like other UA accounts, will be subject to internal and external audits.



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### **Use of Funds Contributed for Student Organization Building Funds:**

The University reserves the right to disallow expenditures that do not meet the University’s designation of the use of these funds. The listings below indicate how the funds may and may not be used but neither listing is meant to be all-inclusive.

These building funds may be used to pay for:

1. Capital campaign expenses to raise funds for a renovation, addition, or construction of a chapter or organization’s house
2. Monthly interest and principal for **University debt service** owed for the facility
3. Improvements to the house or facility which increase the usefulness, enhance the efficiency or prolong the life of the property
4. Renewals and replacements which improve or extend the useful life of the facility (i.e., roof replacement, HVAC replacement)

For the types of expenditures described in 3 and 4 above, the University must comply with Section 39 (Public Works Statute) of the Code of the State of Alabama. See procedures below on expending these funds.

These building funds may not be used to pay for:

1. Movable items or items that are not affixed. Examples include furniture and televisions. The rule of thumb to follow is that if the building and the associated land could be picked up and turned upside down, then any item that would fall out would not be allowed for purchase.
2. Architect fees unless the architect has followed the process for architect selection under Board Rule 415.
3. Normal operating maintenance and repairs. Operating budgets should be used for regular maintenance expenditures.
4. A contractor for a project greater than \$50,000 without going through the University’s bid process.
5. A Student Organization’s Bank Loan.

### **Notification**

Student Organizations may engage in certain projects to improve the physical condition of their facilities. Notifying the University about a Student Organization’s intent to conduct a construction project to improve or extend the useful life of the Student Organization’s facility is extremely important. Serious issues could result if the University is not made aware of a project. For example, a project may require a contractor to dig. This type of work requires the UA facilities staff to mark utility locations. If the notification step is not made, then the contractor could unknowingly hit a gas line or water line. Another example of the importance of notification is related to contractor parking and lay down space. The University must coordinate these requirements so that the



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contractor's needs do not disrupt normal University operations. Therefore, regardless of the dollar amount of the project and/or the funding source for the project, Student Organizations that plan to do improvements or renewals and replacements to a facility must first contact the Director of Greek Affairs who will make a determination as to the next step required.

### **Procedures to Expend Funds:**

In general, projects may be funded from four sources: Designated Building Funds, a Bank Loan to a Student Organization, a Loan from the University to a Student Organization, and a Student Organization's Cash Reserves. Below is a general overview of the steps required depending on the project size and funding source.

#### Projects Regardless of Dollar Amount Funded from a Bank Loan or Chapter Reserves

Student Organizations must contact the Director of Greek Affairs who will determine whether the project requires a review by the Greek Physical Properties Advisory Committee and/or approval by the Board of Trustees (BOT) of The University of Alabama. Once the Project has gone through this approval process, the Project can begin with the appropriate coordination with UA Construction Administration. No further approvals are required.

#### Projects \$50,000 and Greater and Funded from Designated Building Funds

Plans to expend these funds must be submitted through the Director of Greek Affairs to the Greek Physical Properties Advisory Committee for approval. A UA Student Organization Building Renovations Project Initiation Form must be submitted and plans provided to the Committee. The form is located at <http://www.uafacilities.ua.edu/const-admin/forms/stud-org-pir.pdf>. Once the plans are approved by the appropriate sources (i.e., Greek Physical Properties Advisory Committee or the Board of Trustees), projects will be managed by the University and bid in accordance with state procurement and bid laws. Funds will be transferred from the appropriate designated building fund to pay for the project.

#### Projects \$50,000 and Greater and Funded by Monies Borrowed from UA

Plans to expend these funds must be submitted through the Director of Greek Affairs to the Greek Physical Properties Advisory Committee for approval. A UA Student Organization Building Renovations Project Initiation Form must be submitted and plans provided to the Committee. The form is located at <http://www.uafacilities.ua.edu/const-admin/forms/stud-org-pir.pdf>. Once the Project is approved by the Committee or the Board of Trustees of the University of Alabama, the University will be required to manage the construction or renovation project. This process will require the project to be competitively bid in accordance with state procurement and bid laws. In addition, the Student Organization will be required to submit a business plan showing the Student Organization's ability to repay the funds. Once the business plan is approved, the Student Organization's Officials will be required to sign a loan agreement and a promissory note with the University that will stipulate the terms for repayment of the funds borrowed for the project.



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Projects Less Than \$50,000 and Funded from Building Funds

For projects that cost less than \$50,000, the Student Organization must contact the Director of Greek Affairs to see if approval is required by the Greek Physical Properties Committee and/or the Board of Trustees of the University of Alabama. Projects of a certain scope (i.e., will not affect visual appearance) may not require any action by the Greek Physical Properties Committee or the BOT of the University.

Once work is completed on a project, to request reimbursement for allowable expenditures, the Student Organization must submit an original vendor invoice to the Associate Vice President for Financial Affairs for payment along with written documentation from the Student Organization verifying that the work was performed and that payment can be made. Please note that the invoice must be itemized and show sufficient detail. A simple description of repairs and renovations will not be sufficient.

**Please also see the attached Flowchart for common decision points and explanations.**