

THE UAB EDUCATIONAL FOUNDATION

SUMMARY - EXPENDITURES FROM RESTRICTED ACCOUNTS

The UAB Educational Foundation maintains several restricted funds for the support of the University of Alabama at Birmingham. All expenditures from these funds must be in support of UAB and its mission. No expenditure of a personal nature can be made. Expenditures are for expenses that cannot be paid from a state account, but are permissible under IRS codes as a business expenditure. All expenditures are recorded by the Foundation as a "Restricted Contribution in Support of UAB."

Expenditures must be beneficial to UAB's mission and both ordinary (customary or usual) and necessary (appropriate, helpful to UAB's business). In addition, all expenditures must be reasonable.

All expenditures are made under an "Accountable Plan." Such a plan requires that each payment request follow three requirements:

- 1) Adequately document a business connection for the expenditure.
- 2) Adequately substantiate the expenditure by submitting a detailed accounting with complete documentation.
- 3) Return any excess reimbursement or allowance - any amount not documented as an ordinary and necessary business expense.

An adequate accounting requires that five elements be substantiated:

- 1) The amount of each separate expenditure;
- 2) The time and place of travel, entertainment, etc.;
- 3) The date and description of the business expense.;
- 4) The business purpose of the expense (the nature of the business benefit received or expected to be received as a result of the expense).;
- 5) The business relationship of the recipient of the expenditure (the name, title, etc. sufficient to establish a business relationship).

Generally, once the amount of the expenditure has been documented by a receipt, then an adequate accounting requires a response to 'who, what, when, why?' for expenditure or event.

Why have such a plan? If the above procedures of an accountable plan are followed, there should be no tax consequences for items paid that are clearly beneficial to UAB and support the University's mission and are not of a personal nature or specifically taxed under existing IRS codes (non-business percentage of social clubs, etc).

Examples of items generally allowed under existing codes are:

- Administrative retreats and conferences
- Advertising and promotional items such as t-shirts, pens, pencils, cups, etc. with UAB logo
- Alcohol purchases for university-sponsored functions or during a university business meal
- Business gifts of a nominal amount

- Christmas/Holiday cards (Institutional)
- Christmas/Holiday parties
- Civic expenditures which are institutional in nature
- Coffee service for guests and visitors
- Employee retirement awards such as trophies, plaques or similar awards of a non-cash nature (cash and gift certificates are taxable) related to length of service, safety, etc.
- Entertainment at university-sponsored events
- Flowers (death, illness, special occasions) for employees, VIP's, university benefactors, etc.
- Goodwill expenditures for employees such as an occasional party, group meal, picnic; traditional birthday or holiday gift with nominal value (not cash or gift certificates); occasional theater or sporting event tickets; cake to celebrate an achievement or milestone; t-shirts for blood drive participation, etc.
- Recognition parties due to achievement
- Refreshments at UAB-sponsored luncheons or meetings
- Retirement ceremonies
- Retirement gifts of a nominal amount (not cash or gift certificates)
- Social events such as introductory parties for new administrative heads, new residents, etc.
- Sponsorships in university-related charitable events such as tournaments, table at civic events, etc.
- Travel in excess of UAB per diem (on UAB business)

NOTE:

- **Contributions by individuals will not be paid**
- **Political expenditures of any type are prohibited and can never be paid.**
- **Travel advances will not be paid**

In summary, expenditures from these restricted accounts must always be ordinary, necessary, and reasonable; beneficial to UAB and its mission; not personal; adequately documented; and permissible as a business expenditure under IRS codes, but not allowed to be paid from a state account.