

GUIDANCE ON CONTRIBUTIONS RELATED TO STUDENT ORGANIZATIONS

Statement of Mission and Tax-Exempt Status

Northwestern is committed to excellent teaching, innovative research and the personal and intellectual growth of its students in a diverse academic community. As an organization that is exempt under Internal Revenue Code Section 501(c)(3), Northwestern is charged with stewardship of its charitable assets and the prudent expenditure of its funds.

Reason for Guidelines/Purpose

This guide has been prepared to assist in the interpretation of the Internal Revenue Code in relation to student organizations, outline business procedures, and provide direction for University schools and units when considering the application to their operations. The University relies upon individual judgment at all levels of the organization in determining whether expenses are reasonable and compliant. Persons responsible for University expenditures are urged to be thoughtful when considering making these expenditures and to exercise discretion and good judgment in the use of University funds. This guide is not a substitution for University policy or federal regulation. If a situation is not specified in this guide, it does not indicate allowance. The ultimate responsibility for the review and approval of transactions lies with the school/unit. Additional support can be requested to Central Units identified from the Contacts section.

[RESERVED FOR ADDITIONS IN FY21: Charitable funding for affiliated religious organizations and religious student organizations]

Table of Contents

Statement of Mission and Tax-Exempt Status	1
Reason for Guidelines/Purpose	1
Table of Contents	1
Understanding Why: IRS Regulations	2
Utilizing Best Practices and Internal Controls	2
Using Charitable Gifts – Allowable Activities	3
Using Charitable Gifts – Disallowable Activities	4
Definitions	5
Contacts	6
History/Revision Dates	6

Understanding Why: IRS Regulations

The IRS requires a separation of relationship between the donor and the recipient for charitable gift to be considered deductible. This means that charitable gifts cannot be made to support a specific named individual as summarized in [IRS Publication 526](#). The University can receive charitable gifts to support students in various ways because these activities contribute importantly to the University's tax exempt educational purpose. There is an assumption that the University is responsible for these expenses and has thus budgeted for this activity, would have supported it regardless of offsetting donor gifts, and that the University has oversight into its application to who it benefits; therefore removing the potential for a donor to receive undue tax benefits.

Student organizations differ however, as they have a more limited scope than the University's broad assumptions outlined above. This is because student organization expenses are not expected to be incurred by the University, nor do all student group activities further an educational or research purpose. Unlike the broader University, registered student organizations may also organize activities for a limited group that do not exemplify the necessary charitable gift and tax benefit separation. A common example is covering student travel expenses for student organization trips. A parent could provide a gift for the travel expenses to a group their child participates in; the IRS would not recognize this as a charitable gift as it does not demonstrate a charitable gift and tax benefit separation.

Sections *Using Charitable Gifts – Allowable Activities* and *Using Charitable Gifts – Disallowable Activities* provide additional specific and common examples of student organization activities that may be handled differently from University treatment. As outlined above, the driving force behind these determinations are the IRS Regulations. In addition, there are some best practices that the University has determined outside the scope of the regulations to manage risk.

Utilizing Best Practices and Internal Controls

At the time of this document's finalization, several best practices were agreed upon by Financial Operations, Student Affairs, and Alumni Relations and Development as designated practice for consistency across the University:

- If a student organization receives more than \$10,000 in donations or receives a high volume of gifts, at the discretion of Gift and Records Services, the group is required to set up a unique gift chart string through Northwestern financial systems.
- If a student organization has a University gift chart string, all transfers from the University gift chart strings to non-Northwestern managed student organization accounts ("student accounts") must be approved by the department that oversees the University gift chart string if exceeding \$2,500. It is recommended that expenses are incurred against the gift chart string and not the student account to ensure compliance.
- For non-charitable activities, student organizations can receive funds to their student account independently of Northwestern University Alumni Relations and Development and its resources (systems, people, and processes). It is important that donors are informed and understand that

they will not receive Northwestern University gift credit or a charitable tax receipt from Northwestern University, as the funds will not be considered a charitable gift.

- Student organizations are not allowed to issue a charitable tax receipt to donors; only Gift and Record Services are authorized to issue charitable tax receipts on behalf of Northwestern University.

Northwestern University best practice is to utilize a gift chart string assigned to a University department for charitable activities when available for both gifts and expenses, in which the related department oversees all transactions to confirm the student organization is compliant with expenditure responsibility. Utilization of gift chart strings further enables the University to analyze and manage expenses when ownership and intent come into question. Not all student organizations have access to a gift chart string and in those situations, will receive the gifts as a transfer into their student account for expenditure.

Charitable gifts to Northwestern University may either be with donor restrictions or without donor restrictions. Those with donor *restrictions* are invested in the long term balance pool (“endowment”) in perpetuity, not intended to be spent. Restrictions are identified by the Financial Accounting Standards Board (“FASB”) [Accounting Standard Update 2016-14](#) in regards to Topic 958: Not-for-Profit Entities. Those without donor restriction are intended to be spent. A donor may *designate* how to spend the gift or the income earned from the invested gift. More information about Northwestern operations for charitable gift restrictions and designations, is available on the [Accounting Services website](#).

Additional policies and definitions related to charitable donations and fundraising at Northwestern University can be located on the Financial Operations Policy [webpage](#).

Using Charitable Gifts - Allowable Activities

To be considered a charitable activity, the student organization activity must be aligned with Northwestern’s tax-exempt purpose for education and research. [Treasury Regulations](#) define the term ‘educational’ as (a) the instruction or training of the individual for the purpose of improving or developing his capabilities; or (b) the instruction of the public on subjects useful to the individual and beneficial to the community.

Common examples of student organization activities that are deemed to further the Northwestern’s educational purpose are¹:

- Educational events, such as speakers, that are open to all students
 - Speaker fees and their related expenses for food and travel are allowable
- Buying equipment or supplies that will belong to Northwestern
 - Purchasing and management of the assets should be done by the sponsoring administrative department in a gift chart string and not a student account
- Practice space for club sports
- Renting space for an educational event, such as an auditorium for a theater production

¹ In extreme situations such as the COVID-19 pandemic, student organizations may have unspent funds. These funds may be redirected to support similar activities at the University to maintain their charitable purpose.

- Rental space for equipment, if space on campus is not available and a Northwestern staff advisor from the sponsoring department approves and oversees the space
- Costume rentals for student productions and performances
- Professional services tied to space rented for an educational event, such as a light technician
- Materials and supplies that support the educational activity

Another factor that indicates allowable activity is the benefit to a *charitable class*. Allowable activities must be open, free, and accessible to Northwestern students. While other communities may benefit from these activities, the primary beneficiary is the Northwestern community.

Using Charitable Gifts - Disallowable Activities

The University supports additional activities outside the scope of the Treasury Regulations summarized in [IRS Publication 526](#) as educational through the enrichment of the student experience. When certain student organization activities may not be funded by charitable gifts, alternative sources of funding must be utilized. Alternative sources of funding can include department operational budgets and student experiential gift funds, with the sponsoring department's approval.

Northwestern University does not accept charitable gifts for politically affiliated student organizations. The student organization can accept funds directly to their student account, but the contributor will not receive a charitable gift tax receipt.

Other common examples of non-charitable activities by student organizations are:

- Expenses incurred by members of student organization that the University is not obligated to cover or has oversight in the application of spending (speaker expenses are an approved exception)
 - Travel costs, conference or competition registration, membership dues
- Music or other party expenses that are not related to educational experiences
- Food, beverage, alcohol, or tobacco
 - Food or beverage used for teaching purposes is an allowable exception
- Buying individualized items like makeup, costumes, or uniforms
- Buying equipment for which Northwestern will not retain ownership
- Student, staff, or faculty salaries or other additional pay to individuals
- Raising funds or accepting funds for another not-for-profit is not allowable under the Fundraising for Other Charitable Organizations [policy](#). All [requests](#) to donate funds outside of the University must be approved prior to the donation on a case-by-case basis. Approval activity is limited in scope and amount, and not guaranteed. This function is for small activities, such as buying a table at a benefit event, and not for transferring funds to outside organizations.
 - In cases where the group is a chapter of a national organization, a donor should contribute directly to the national organization if the funds are not intended to stay at Northwestern.
- Accepting funds for Fraternities and Sororities (building funds are an allowable exception)
 - Donations to these organizations should be directed to their national organizations
- Accepting funds for club sports and social clubs
 - Athletics may accept gifts and use to support club activities at their discretion

Definitions

501(c)(3)	Section of the Internal Revenue Code that designates an organization as exempt from federal tax if organized and operated for certain purposes including charitable, scientific, and educational.
Charitable Class	A charitable class is a group of individuals that may properly receive assistance from a charitable organization. A charitable class must be either large enough that the potential beneficiaries cannot be individually identified, or sufficiently indefinite that the community as a whole, rather than a pre-selected group of people, benefits when a charity provides assistance. For example, a charitable class could consist of all individuals located in a city, county, or state. This charitable class is large and benefits to it benefit the entire geographic community.
Charitable gift	Funds given to an organization that has qualified for the IRS classification of a 501(c)(3). For any gift to be considered charitable tax-deductible it must be given irrevocably to the mission-related purposes, with no retained donor control, and never to the benefit of a specific individual or select group of individuals.
Sponsoring Department	University gift chart strings are managed by administrative staff. SOFO, COFO, or an academic departments are all able to manage University gift chart strings for a student organization. A unique code is assigned to each department in the University's financial systems and will be linked to the gift chart string.
Student Organization Accounts	Accounts managed by COFO, SOFO, or any resource account not overseen by departments but used for a student organization purposes and operating through NU financial systems.

Contacts

Accounting Services, Financial Operations

accounting@northwestern.edu

Chicago Organizations Finance Office (COFO), Student Affairs

cofo@northwestern.edu

Gift and Records Services, Alumni Relations and Development

giftclearing@northwestern.edu

Student Organizations Finance Office (SOFO), Student Affairs

sofo@northwestern.edu

Tax and Regulatory Services, Financial Operations

taxandregulatoryservices@northwestern.edu

History/Revision Dates

Origination Date: 7.31.20

Last Amended Date: 8.27.20

Next Review Date: 8.31.21