



TRANSMITTAL LETTER

The University of North Carolina
General Administration

Transmittal Number 92
June 26, 2014
Reissued July 18, 2014

THIS LETTER TRANSMITS CHANGES TO THE *UNC POLICY MANUAL**

[600.2.5.2\[R\]](#) *Required Elements of University-Associated Entity Relationship**

This Regulation was amended and approved by President Ross on June 25, 2014. Please contact UNC General Administration Legal Affairs Division at 919-962-4588, if you have any questions.

[1100.1.1\[R\]](#) *Financial and Other Reporting for Intercollegiate Athletics – **The prior version of this regulation is being replaced with a corrected version.****

This Regulation was approved by President Ross on June 25, 2014. Please contact UNC General Administration Legal Affairs Division at 919-962-4588, if you have any questions.

*Redline version is available and hereby attached.

Required Elements of University-Associated Entity Relationship

The following requirements apply to any University Associated Entity.

A. Definitions. As used in these regulations:

1. An “Associated Entity” means any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity that was: (a) established by officers of the University; or (b) that is controlled by the University; or (c) that raises funds in the name of the University; or (d) that has a primary purpose of providing services or conducting activities in furtherance of the University’s mission pursuant to an agreement with the University; or (e) that has a tax exempt status that is based on being a support organization for the University.
2. An “Athletically Related Associated Entity” means an Associated Entity that supports or conducts activities in furtherance of an Approving Institution’s intercollegiate athletics program, as determined by the chancellor of the Approving Institution.
3. “Approving Institution” means a constituent institution of the University of North Carolina or the General Administration that approves an Associated Entity.
4. “General Administration” means the Office of the President and the affiliated programs of the University that are not centers or institutes of a constituent institution.
5. “Major Associated Entity” means an Associated Entity which has annual expenditures of \$100,000 or more.
6. “Minor Associated Entity” means an Associated Entity which has annual expenditures of less than \$100,000.
7. “Special Purpose Entity” means an Associated Entity (including any approved subsidiary or affiliate of an Associated Entity) that is: (a) established by an Approving Institution or is controlled by an Approving Institution; (b) undertakes a specified activity for the Approving Institution as its sole purpose (e.g., constructing or managing facilities, research development, or intellectual property management); and (c) does not engage in fundraising activities.
8. “State” means the State of North Carolina.
9. “University” means the University of North Carolina, including its constituent institutions.
10. When “president or chancellor” is used in these regulations, it means the chancellor if the Approving Institution is a constituent institution and it means the president if the Approving Institution is the General Administration.

B. Approval of Associated Entities

1. Associated Entity must be Approved. An Associated Entity (including any subsidiary or affiliate of an existing Associated Entity) must be approved in writing by the president, the chancellor, or the president or chancellor’s designee. An Associated Entity must be approved in order to receive University-provided services or to be able to use any University names, logos, or marks.
2. Abide by Relevant University Policies. In order to obtain approved status, the Associated Entity must formally agree, pursuant to a written agreement described in subpart F.1., to abide by the policies or regulations established by the University and by the Approving Institution, including the requirements of this regulation, 600.2.5.2[R].
3. Removal of Approved Status. The Approving Institution may, in its sole discretion, remove the approved status of any Associated Entity at any time for any reason or no reason.

C. Organizational Requirements of an Associated Entity

1. Purpose to Benefit University. The Associated Entity must be organized for the primary purpose of (a) supporting the University or one or more of its constituent institutions or programs, and/or (b) conducting activities that are in furtherance of the mission of the University or of one or more of its constituent institutions or programs.
2. State Nonprofit Entity. The Associated Entity must be organized on a nonprofit basis as a separate legal entity recognized under and in compliance with North Carolina law. If a constituent institution proposes to establish or approve an Associated Entity on a for-profit basis, it must receive prior approval from the Board of Governors.
3. Tax Exempt Status. Except as provided in paragraph C.2. (concerning Associated Entities established on a for-profit basis), an Associated Entity must either (a) apply for, receive, and maintain both federal and State tax exempt status, or (b) be eligible to utilize the tax-exempt status of one or more constituent institutions or tax-exempt Associated Entities.
4. Dissolution of Associated Entity. The Associated Entity's governing documents including, but not limited to, articles of incorporation, by-laws, and operating agreement(s), must include provisions which provide that: (a) the Associated Entity must, if so directed by the Approving Institution, be dissolved as soon as practicable following the removal of approved status pursuant to Section B.3.; and (b) upon dissolution of the Associated Entity, all of its assets will revert to the University or the Approving Institution or another existing University approved Associated Entity unless otherwise designated by the donor of an asset.
5. Requirements for Members of Associated Entity Governing Body; Approval of Board Members for Athletically Related Associated Entities.
 - a. All Associated Entities. At least one senior academic or administrative officer of the Approving Institution or a designee of the president or the chancellor must sit as an ex-officio (either voting or nonvoting) or regular member of the Associated Entity's governing body, including any committee or subcommittee thereof that may be delegated authority to exercise the governing body's authority.
 - b. Athletically Related Associated Entities. No individual may be appointed to serve on the governing body of an Athletically Related Associated entity absent the prior approval of the chancellor of the Approving Institution.
6. Audit Committee Required.
 - a. A Major Associated Entity's by-laws must provide for a standing audit committee or other committee with an audit function which has at least one University employee as a member. The audit committee must receive the report of the individual or firm that conducts the Associated Entity's annual audit and relevant tax forms to be submitted by the Associated Entity.
 - b. A Minor Associated Entity's by-laws must provide for a committee which has these audit functions.
 - c. No employee of the Associated Entity may serve on an audit committee or a committee with an audit function. If practical, each audit committee or committee with an audit function should have a financial expert as a member.
 - d. A Special Purpose Entity is not required to have an audit committee provided that it is subject to independent audit at the request of one or more designated trustees, sureties, insurers, certificate holders or bondholders, or is audited during the Approving Institution's audit.
 - e. A single member LLC is not required to have an audit committee provided its operations are audited in connection with the audit of the member.

D. Financial and Accounting Controls

1. Sound Accounting and Business Principles. An Associated Entity must use sound fiscal and business principles, ensure that a sound internal control structure is in place, and follow generally accepted accounting procedures.
2. Annual CPA Audit. A Major Associated Entity and its single member subsidiaries (LLC or corporations) must be audited on an annual basis by an independent CPA firm, selected with the approval of the Approving Institution. A Minor Associated Entity must have an annual audit conducted either by the Approving Institution's internal auditor, another University internal auditor, or an independent CPA firm. A Special Purpose Entity must be audited on a periodic basis. A CPA firm providing an audit for a Major Associated Entity may not provide non-auditing services to the Associated Entity other than tax preparation services that are preapproved by the audit committee.
 - a. An Associated Entity of a constituent institution must provide copies of the audit report, management letters, and responses to management letters to the chancellor of the Approving Institution, through the chancellor to the governing board of the Approving Institution and the president, and through the president to the Board of Governors.
 - b. An Associated Entity of the General Administration must provide copies of the audit report, management letters, and responses to management letters to the president, and through the president to the Board of Governors.
3. Annual Budgets. Each Associated Entity must create an annual operations and capital budget. Each Athletically Related Associated Entity, and such other Associated Entities as may be directed to do so by the Approving Institution, shall submit its proposed annual operations and capital budget to the president or chancellor or designee of the Approving Institution for review and approval prior to adoption. Any subsequent changes to the approved annual operations and capital budget must be approved by the chancellor of the Approving Institution.
4. Officer and Employee Compensation. All salary and nonsalary compensation provided by the Associated Entity to its officers or employees must be approved by the Associated Entity's governing board. The Associated Entity must comply with Board of Governors Policy §300.1.1 concerning the prohibition of payments to specified University employees. This requirement does not prohibit the Associated Entity from reimbursing its officers or employees for expenditures made on behalf of the Associated Entity. Each Athletically Related Associated Entity shall submit an annual report to the chancellor of the Approving Institution detailing the salary and nonsalary compensation and reimbursements provided to each officer and each employee of the Associated Entity and each employee of the University assigned to the Associated Entity for the prior year, along with explanations for any adjustments to compensation.
5. Indemnification of University. The Approving Institution may require an Associated Entity to indemnify and hold the Approving Institution and the University harmless from any damages or liabilities that the Approving Institution or the University incurs as a result of the Associated Entity's actions.
6. University-Associated Entity Monetary Transfers. All transfers of funds from the Associated Entity to the University or to the Approving Institution must be documented in writing or electronically in a form that has a retrievable transaction trail. Each Athletically Related Associated Entity shall submit an annual report to the chancellor of the Approving Institution describing each transfer of funds from the Associated Entity to the Approving Institution or to third parties for the benefit of the Approving Institution for the prior year.
7. Whistleblower Protection. An Associated Entity must have a confidential and anonymous mechanism to encourage individuals to report any inappropriateness within the entity's financial management and must prohibit punishment of or retaliation against any employee for reporting problems.

8. Chief Executive Officer. The chief financial officer of the Approving Institution may not be the chief executive officer of an Associated Entity.

9. Acquisition of Debt. A Minor Associated Entity may not acquire debt in excess of \$100,000 that is not to be publicly traded without prior approval from the president or the chancellor or designee of the Approving Institution and consultation with the vice president for finance of the University. A Major Associated Entity may not acquire debt in excess of \$500,000 that is not to be publicly traded without prior approval from the president or the chancellor or designee of the Approving Institution and consultation with the vice president for finance of the University. In determining the level of scrutiny to give to the proposed transaction, the vice president shall take into account the amount of the debt in relationship to the Associated Entity's assets and income and the extent of experience of the Associated Entity in entering into similar debt transactions. A Special Purpose Entity that issues debt to construct facilities for the University must provide a financial or construction audit to the vice president for finance of the University at the vice president's request or to the governing board of the Approving Institution at the request of the chair of the governing board.

10. Audit Findings. Within 90 days of the issuance of an audit report with audit findings, the Associated Entity must demonstrate to the president or the chancellor of the Approving Institution and to the vice president for finance that satisfactory progress has been made to implement a corrective action plan. Failure of an Associated Entity to receive an unqualified audit opinion, to comply with the reporting requirements of this regulation, or to satisfactorily implement a corrective action plan in response to an audit finding may result in the Associated Entity's losing its approved status.

E. Insurance and Bonding

1. Bonding Required. Officers and employees of Major Associated Entities who have check-signing authority or who handle cash or negotiable instruments must be bonded in an amount determined to be reasonable by the Associated Entity's governing body, in collaboration with the Approving Institution. The governing body of a Minor Associated Entity should consider requiring bonding of appropriate employees.

2. Insurance. The governing body of an Associated Entity, working in collaboration with the Approving Institution's insurance and risk management personnel, should evaluate the potential risks arising from the operation of the Associated Entity and obtain commercially reasonable amounts of general liability and directors'/officers' insurance.

F. Provision of Administrative and Other Services by University for Associated Entity

1. Written Agreement Required. The Associated Entity must enter into a written agreement with the Approving Institution in which the Associated Entity agrees to abide by relevant policies and regulations established by the University and by the Approving Institution. An Associated Entity may only use University or constituent institution assets, facilities, and personnel pursuant to the terms of the written agreement.

2. Reimbursement of Costs. Any reimbursement to the Approving Institution or the University for services the Approving Institution or the University provides to the Associated Entity must be made pursuant to a written agreement between the University or the Approving Institution and the Associated Entity entered into before the service is provided.

3. Control of University Personnel. When University personnel provide services for the Associated Entity and there arises a conflict between the University and the Associated Entity, the University's employee must comply with the policies, regulations, and directives of the University.

G. Acceptance of Gifts by Associated Entity

1. Direction and Control of Fundraising and Development Activities. The fundraising and development activities of the Associated Entity shall be conducted subject to the policies and regulations of the Approving Institution and the University and coordinated with the Approving

Institution's development office. Absent prior approval from the Approving Institution, the Associated Entity may not engage in fundraising or development activities or receive gifts that impose obligations on the Approving Institution.

2. Restricted or Conditional Gifts that Require University Approval. An Associated Entity may not accept any restricted or conditional gifts that impose an obligation on the University or the Approving Institution or the State to expend resources in addition to the gift or that impose an obligation on the University's or the Approving Institution's operations without the Approving Institution's prior approval. In addition, an Associated Entity may not accept a gift which has any restriction that is unlawful.

3. Notification to Donors of Restricted Gift Policies. An Associated Entity must advise prospective donors of all restricted or conditional gifts to the Associated Entity if acceptance of the gift is conditioned upon the Approving Institution's approval.

H. Conflict of Interest and Ethics Policies

1. Policies Required. The Associated Entity must have in place conflict of interest and ethics policies, as approved by the Approving Institution, pertaining to relationships between the Approving Institution, the Associated Entity, members of the governing body of the Associated Entity and persons doing business with the Associated Entity, and establishing required ethical standards for the members of the governing body and employees of the Associated Entity.

2. Transactions Between Associated Entity and its Employees. All transactions (other than reimbursements as provided in §D.4.) between the Associated Entity and an individual member, manager, officer, director, or employee of the Associated Entity must be approved by the Associated Entity's governing body.

3. Recusal from Business Decisions. No Associated Entity individual member, manager, officer, director, or employee having a private business interest in an Associated Entity business transaction may be involved in the decision with respect to whether the Associated Entity should enter into such transaction.

4. Associated Entity Scholarships. No Associated Entity scholarship or fellowship award may be made to an individual member, manager, officer, director, or employee of the Associated Entity or to a family member of such person unless the recipient of the award is determined by an independent awards committee or is overseen by the Approving Institution's Financial Aid and Scholarship Office.

I. Reports required to be submitted by Associated Entity to University

1. The Associated Entity must file annual reports with the president or chancellor of Approving Institution covering the following items:

a. A list of all members of the Associated Entity's governing body;

b. A copy of the publicly disclosed portion of the Associated Entity's Form 990, or other series 990 form or other similar information return;

c. A copy of the Associated Entity's CPA audit report and related management letters and responses to management letters; and

d. A copy of the Articles of Incorporation, Articles of Organization, Bylaws, and other governing documents, and any revisions or amendments thereto.

2. At the request of the chancellor, president, or the chair of governing body of the Approving Institution, the Associated Entity must meet with the requesting person, his or her designee, or the internal auditor of the Approving Institution, provide any information requested, and allow that person to inspect any information requested for any reason, or no reason.

J. Miscellaneous Requirements

1. Associated Entity Communications. An Associated Entity must conduct business in its own name and all correspondence, advertisements, and other communications by the Associated Entity must clearly indicate that the communication is from the Associated Entity, and not from the Approving Institution or the University.
2. Lobbying and Political Activities. An Associated Entity must comply with all provisions of the Internal Revenue Code and all State laws regarding lobbying and political activity.
3. Associated Entity Courses and Seminars. An Associated Entity may not offer any course or seminar in which the University's name is used without first obtaining the permission of the institution(s) whose name(s) will be used.
4. Record Retention Schedule. An Associated Entity must have a policy governing retention and destruction of documents including electronic files and which prohibits destruction of documents if an audit, investigation into wrongdoing, or litigation is anticipated or underway.

K. Waiver

If the application of any of the requirements of these regulations to a particular Associated Entity in specific circumstances is of limited benefit and is unduly burdensome, the president may waive that requirement as to that specific Associated Entity under circumstances that are set out in writing and supported by the Approving Institution.

L. Effective Date

Every Associated Entity shall be in compliance with these regulations no later than January 1, 2015.

Required Elements of University-Associated Entity Relationship

The following requirements apply to any University Associated Entity.

A. Definitions. As used in these regulations:

1. An “Associated Entity” means any foundation, association, corporation, limited liability company (LLC), partnership, or other ~~non-profit~~nonprofit entity that was: (a) established by officers of the University; or (b) that is controlled by the University; or (c) that raises funds in the name of the University; or (d) that has a primary purpose of providing services or conducting activities in furtherance of the University’s mission pursuant to an agreement with the University; or (e) that has a tax exempt status that is based on being a support organization for the University.

22. An “Athletically Related Associated Entity” means an Associated Entity that supports or conducts activities in furtherance of an Approving Institution’s intercollegiate athletics program, as determined by the chancellor of the Approving Institution.

3. “Approving Institution” means a constituent institution of the University of North Carolina or the General Administration that approves an Associated Entity.

~~34.~~ “General Administration” means the Office of the President and the affiliated programs of the University that are not centers or institutes of a constituent institution.

~~45.~~ “Major Associated Entity” means an Associated Entity which has annual expenditures of \$100,000 or more.

~~5.~~ ~~6.~~ “Minor Associated Entity” means an Associated Entity which has annual expenditures of less than \$100,000.

~~6.~~ ~~“Specified”~~ ~~7.~~ “Special Purpose Entity” means an Associated Entity, ~~or an (including any approved subsidiary or LLC affiliate of an Associated Entity);~~ that is: (a) established by the officers of the University an Approving Institution or is controlled by the University, has an Approving Institution; (b) undertakes a specified activity for the Approving Institution as its sole purpose the (e.g., constructing or managing facilities for the University, research development, or intellectual property management); and (c) does not engage in fundraising activities.

~~78.~~ “State” means the State of North Carolina.

~~89.~~ “University” means the University of North Carolina, including its constituent institutions.

~~910.~~ When “president or chancellor” is used in these regulations, it means the chancellor if the Approving Institution is a constituent institution and it means the president if the Approving Institution is the General Administration.

B. Creation~~Approval~~ of University-Approved Associated Entities

1. Associated Entity must be Approved— An Associated Entity (including any subsidiary or affiliate of an existing Associated Entity) must be approved in writing by the president, the chancellor, or the president or chancellor’s designee. An Associated Entity must be approved in order to receive University-provided services or to be able to use an institution’s any University names, logos, or the University’s name or an institution’s or the University’s logo/trademark in fundraising. ~~If an approved entity establishes a subsidiary entity or an LLC, then the subsidiary entity or LLC must be separately approved.~~ marks.

2. Abide by Relevant University Policies— In order to obtain approved status, the Associated Entity must formally agree, pursuant to a written agreement described in subpart F.1., to abide by the policies or regulations established by the University and by the Approving Institution ~~regarding the University's and the Approving Institution's relationship with related Associated Entities, including the requirements of this regulation, 600.2.5.2[R].~~

3. ~~Periodic Review~~Removal of Approved Status— The Approving Institution may, in its sole discretion, remove the approved status of any Associated Entity ~~which fails to abide by the Approving Institution's at any time for any reason or the University's policies or regulations which govern Associated Entities; no reason.~~

C. Organizational Requirements of an Associated Entity

1. Purpose to Benefit University— The Associated Entity must be organized for the primary purpose of ~~(a)~~ supporting the University or one or more of its constituent institutions or programs, and/or ~~(b)~~ conducting activities that are in furtherance of the mission of the University or of one or more of its constituent institutions or programs.

2. State Nonprofit ~~Corporation—Entity.~~ The Associated Entity must be organized on a nonprofit basis; as a separate legal entity recognized under and, ~~if a corporation, be incorporated in compliance with~~ North Carolina, ~~and comply with the requirements of Chapter 55A of the North Carolina General Statutes; law.~~ If a constituent institution proposes to establish or approve an Associated Entity on a for-profit basis, it must receive prior approval from the Board of Governors ~~before establishing the entity.~~

3. Tax Exempt Status— Except as provided in paragraph C.2., ~~(concerning Associated Entities established on a for-profit basis),~~ an Associated Entity must either (a) apply for, receive, and maintain both federal and State tax exempt status, or (b) be eligible to utilize the tax-exempt status of one or more constituent institutions or tax-exempt Associated Entities.

4. Dissolution of Associated Entity— The Associated Entity's governing documents including, but not limited to, articles of incorporation, by-laws, and operating agreement(s), must include ~~a clause~~provisions which ~~provides~~provide that: (a) the Associated Entity must, if so directed by the Approving Institution, be dissolved as soon as practicable following the removal of approved status pursuant to Section B.3.; and (b) upon dissolution of the Associated Entity, all of its assets will revert to the University or the Approving Institution or another existing University approved Associated Entity unless otherwise designated by the donor of an asset.

~~5. — University Representative(s) on Board —~~ 5. Requirements for Members of Associated Entity Governing Body; Approval of Board Members for Athletically Related Associated Entities.

a. All Associated Entities. At least one senior academic or administrative officer of the Approving Institution or a designee of the president or the chancellor must sit as an ex-officio (either voting or ~~non-voting~~nonvoting) or regular member of the Associated Entity's governing ~~board~~body, including any committee or subcommittee thereof that may be delegated authority to exercise the governing body's authority.

b. Athletically Related Associated Entities. No individual may be appointed to serve on the governing body of an Athletically Related Associated entity absent the prior approval of the chancellor of the Approving Institution.

6. Audit Committee Required—

a. A Major Associated Entity's by-laws must provide for ~~an~~ a standing audit committee or other committee with an audit function which has ~~at least one~~ University

employee as a member. The audit committee must receive the report of the ~~independent CPA individual or~~ firm that conducts the Associated Entity's annual audit and relevant tax forms to be submitted by the Associated Entity.

b. A Minor Associated Entity's by-laws must provide for a committee which has these audit functions ~~and which has a majority of members that are not University employees.~~

c. No employee of the Associated Entity may serve on an audit committee or a committee with an audit function. If practical, each audit committee or committee with an audit function should have a financial expert as a member.

d. A ~~Specified~~Special Purpose Entity is not required to have an audit committee provided that it is subject to independent audit at the request of one or more designated trustees, sureties, insurers, certificate holders or bondholders, or is audited during the Approving Institution's audit.

e. A single member LLC is not required to have an audit committee provided its operations are audited in connection with the audit of the member.

D. Financial and Accounting Controls

1. Sound Accounting and Business Principles—~~An~~ Associated Entity must use sound fiscal and business principles, ensure that a sound internal control structure is in place, and follow generally accepted accounting procedures.

2. Annual CPA Audit—~~A~~ Major Associated Entity and its single member subsidiaries (LLC or corporations) must be audited on an annual basis by an independent CPA firm, selected with the approval of the Approving Institution. A Minor Associated Entity must have an annual audit conducted either by the Approving Institution's internal auditor, another University internal auditor, or an independent CPA firm. A Special Purpose Entity must be audited on a periodic basis. A CPA firm providing an audit for a Major Associated Entity may not provide non-auditing services to the Associated Entity other than tax preparation services that are ~~pre-approved~~preapproved by the audit committee.

a. An Associated Entity of a constituent institution must provide copies of the audit report, management letters, and responses to management letters to the chancellor of the Approving Institution, through the chancellor to the governing board of the Approving Institution and the president, and through the president to the Board of Governors.

b. An Associated Entity of the General Administration must provide copies of the audit report, management letters, and responses to management letters to the president, and through the president to the Board of Governors.

3. Annual Budgets—~~The.~~ Each Associated Entity must create an annual operations and capital budget. Each Athletically Related Associated Entity, and such other Associated Entities as may be directed to do so by the Approving Institution, shall submit its proposed annual operations and capital budget to the president or chancellor or designee of the Approving Institution for review and approval prior to adoption. Any subsequent changes to the approved annual operations and capital budget must be approved by the chancellor of the Approving Institution.

4. Officer and Employee Compensation—~~All~~ salary and nonsalary compensation provided by the Associated Entity to its officers or employees must be approved by the Associated Entity's governing board. The Associated Entity must comply with Board of Governors Policy §300.1.1 concerning the prohibition of payments to specified University employees. This requirement does

not prohibit the Associated Entity from reimbursing its officers or employees for expenditures made on behalf of the Associated Entity. Each Athletically Related Associated Entity shall submit an annual report to the chancellor of the Approving Institution detailing the salary and nonsalary compensation and reimbursements provided to each officer and each employee of the Associated Entity and each employee of the University assigned to the Associated Entity for the prior year, along with explanations for any adjustments to compensation.

5. Indemnification of University—The Approving Institution may require an Associated Entity to indemnify and hold the Approving Institution and the University harmless from any damages or liabilities that the Approving Institution or the University incurs as a result of the Associated Entity's actions.

6. University-Associated Entity Monetary Transfers—All transfers of funds from the Associated Entity to the University or to the Approving Institution must be documented in writing or electronically in a form that has a retrievable transaction trail. Each Athletically Related Associated Entity shall submit an annual report to the chancellor of the Approving Institution describing each transfer of funds from the Associated Entity to the Approving Institution or to third parties for the benefit of the Approving Institution for the prior year.

7. ~~Whistle-Blower~~Whistleblower Protection—An Associated Entity must have a confidential and anonymous mechanism to encourage employees/individuals to report any inappropriateness within the entity's financial management and must prohibit punishment or retaliation against any employee for reporting problems.

8. Chief Executive Officer—The chief financial officer of the Approving Institution may not be the chief executive officer of an Associated Entity.

9. Acquisition of Debt—A Minor Associated Entity may not acquire debt in excess of \$100,000 that is not to be publicly traded without first notifying prior approval from the president or the chancellor or designee of the Approving Institution and then consulting consultation with the vice president for finance of the University. A Major Associated Entity may not acquire debt in excess of \$500,000 that is not to be publicly traded without first notifying prior approval from the president or the chancellor or designee of the Approving Institution and then consulting consultation with the vice president for finance of the University. In determining the level of scrutiny to give to the proposed transaction, the vice president shall take into account the amount of the debt in relationship to the Associated Entity's assets and income and the extent of experience of the Associated Entity in entering into similar debt transactions. A Specified/Special Purpose Entity that issues debt to construct facilities for the University must provide a financial or construction audit to the vice president for finance of the University at the vice president's request or to the governing board of the Approving Institution at the request of the chair of the governing board.

10. Audit Findings—Within 90 days of the issuance of the/an audit report with audit findings, the Associated Entity must demonstrate to the president or the chancellor of the Approving Institution and to the vice president for finance that satisfactory progress has been made to implement a corrective action plan. Failure of an Associated Entity to receive an unqualified audit opinion, to comply with the reporting requirements of this regulation, or to satisfactorily implement a corrective action plan in response to an audit finding may result in the Associated Entity's losing its approved status.

E. Insurance and Bonding

1. Bonding Required—Officers and employees of Major Associated Entities who have check signing authority or who handle cash or negotiable instruments must be bonded in an amount determined to be reasonable by the Associated Entity's board. The Board governing body.

in collaboration with the Approving Institution. The governing body of a Minor Associated Entity should consider requiring bonding of appropriate employees.

2. ~~Liability Insurance—~~ The governing ~~board~~body of an Associated Entity ~~must consider whether to, working in collaboration with the Approving Institution's insurance and risk management personnel, should evaluate the potential risks arising from the operation of the Associated Entity and obtain commercially reasonable amounts of general liability and directors'/officers' insurance in an amount determined to be reasonable by the Associated Entity's board.~~

F. Provision of Administrative and Other Services by University for Associated Entity

1. ~~Written Agreement Required—All services provided by. The Associated Entity must enter into a written agreement with the Approving Institution or in which the Associated Entity agrees to abide by relevant policies and regulations established by the University for and by the Approving Institution. An Associated Entity (including may only use of University or constituent institution assets, facilities, and personnel) must be pursuant to a written agreement setting forth the the terms under which such services will be provided of the written agreement.~~

2. ~~Reimbursement of Costs—~~ Any reimbursement to the Approving Institution or the University for services the Approving Institution or the University provides to the Associated Entity must be made pursuant to a written agreement between the University or the Approving Institution and the Associated Entity entered into before the service is provided.

3. ~~Control of University Personnel—~~ When University personnel provide services for the Associated Entity and there arises a conflict between the University and the Associated Entity, the University's employee must comply with the policies, regulations, and directives of the University.

G. Acceptance of Gifts by Associated Entity

~~1. ——— Restricted Gifts that Require University Approval—1. Direction and Control of Fundraising and Development Activities. The fundraising and development activities of the Associated Entity shall be conducted subject to the policies and regulations of the Approving Institution and the University and coordinated with the Approving Institution's development office. Absent prior approval from the Approving Institution, the Associated Entity may not engage in fundraising or development activities or receive gifts that impose obligations on the Approving Institution.~~

~~2. ——— Restricted or Conditional Gifts that Require University Approval. An Associated Entity may not accept any restricted or conditional gifts that impose an obligation on the University or the Approving Institution or the State to expend resources in addition to the gift without first receiving or that impose an obligation on the University's or the Approving Institution's operations without the Approving Institution's prior approval. In addition, an Associated Entity may not accept a gift which has any restriction that is unlawful.~~

~~23. Notification to Donors of Restricted Gift Policies—~~ An Associated Entity must advise prospective donors of all restricted or conditional gifts to the Associated Entity if acceptance of the gift is conditioned upon the Approving Institution's approval.

~~3. ——— Coordination with University Development Office In soliciting and accepting gifts in the name of the University, an Associated Entity must coordinate with the Approving Institution's development office.~~

H. Conflict of Interest and Ethics Policies

1. Policies Required- ~~__~~ The Associated Entity must have in place conflict of interest and ethics policies, as approved by the Approving Institution, pertaining to relationships between the Approving Institution, the Associated Entity, members of the governing ~~board~~body of the Associated Entity and persons doing business with the Associated Entity, and establishing required ethical standards for the members of the governing ~~board~~body and employees of the Associated Entity.
2. Transactions Between Associated Entity and its Employees- ~~__~~ All transactions (other than reimbursements as provided in §D.54.) between the Associated Entity and an individual member, manager, officer, director, or employee of the Associated Entity must be approved by the Associated Entity's governing ~~board~~body.
3. Recusal from Business Decisions- ~~__~~ No Associated Entity individual member, manager, officer, director, or employee having a private business interest in an Associated Entity business transaction may be involved in the decision with respect to whether the Associated Entity should enter into such transaction.
4. Associated Entity Scholarships- ~~__~~ No Associated Entity scholarship or fellowship award may be made to an individual member, manager, officer, director, or employee of the Associated Entity or to a family member of such person unless the recipient of the award is determined by an independent awards committee or is overseen by the Approving Institution's Financial Aid and Scholarship Office.

I. Reports required to be submitted by Associated Entity to University

1. The Associated Entity must file annual reports with the president or chancellor of Approving Institution covering the following items:
 - a. A list of all members of the Associated Entity's ~~board~~governing body;
 - b. A copy of the publicly disclosed portion of the Associated Entity's Form 990, or other series 990 form- or other similar information return;
 - c. A copy of the Associated Entity's CPA audit report and related management letters and responses to management letters; and
 - d. A copy of the Articles of Incorporation, Articles of Organization, Bylaws, and other governing documents, and any revisions or amendments thereto.
2. At the request of the chancellor, president, or the chair of governing ~~board~~body of the Approving Institution, ~~for an articulated legitimate reason~~, the Associated Entity must meet with the requesting person, his or her designee, or the internal auditor of the Approving Institution, provide any information requested, and allow that person to inspect any ~~of the following information that is related to the articulated~~requested for any reason, ~~or no reason~~.
 - a. ~~— A description of all monetary transfers from the Associated Entity to the Approving Institution or the University;~~
 - b. ~~— A description of all transactions entered into during the year between the Associated Entity and the Approving Institution or the University.~~
 - c. ~~— A copy of the Associated Entity's operating and capital expenditure budget for the year and a comparison of actual expenditures to budgeted expenditures.~~
 - d. ~~— A description of all real estate purchases, material capital leases, and investment/ financing arrangements entered into during the year;~~

~~e. Copies of the minutes of all regular and special meetings of the Associated Entity's board;~~

~~f. The portions of the 990 forms that are not publicly disclosed and all other federal and state tax returns; and~~

~~g. Any other documents and records which are relevant to the articulated reason.~~

J. Miscellaneous Requirements

1. Associated Entity Communications- An Associated Entity must conduct business in its own name and all correspondence, advertisements, and other communications by the Associated Entity must clearly indicate that the communication is from the Associated Entity, and not from the Approving Institution or the University.

2. Lobbying and Political Activities- An Associated Entity must comply with all provisions of the Internal Revenue Code and all State laws regarding lobbying and political activity.

3. Associated Entity Courses and Seminars- An Associated Entity may not offer any course or seminar in which the University's name is used without first obtaining the permission of the institution ~~or institutions(s)~~ whose name(s) will be used.

~~4. Destruction of Documents~~ 4. Record Retention Schedule. An Associated Entity must have a policy governing retention and destruction of documents including electronic files and which prohibits destruction of documents if an audit, investigation into wrongdoing, or litigation is anticipated or underway.

K. Waiver

If the application of any of the requirements of these regulations to a particular Associated Entity in specific circumstances is of limited benefit and is unduly burdensome, the president may waive that requirement as to that specific Associated Entity under circumstances that are set out in writing. ~~The Associated Entity shall notify the Chancellor of and supported by the Approving Institution prior to making a request for a waiver under this section.~~

L. Effective Date

Every Associated Entity shall be in compliance with these regulations no later than ~~July~~January 1, ~~2006~~2015.

Financial and Other Reporting for Intercollegiate Athletics

I. Purpose

Consistent with the University of North Carolina's commitment to ensuring integrity and transparency in its financial and other operations, this regulation establishes financial and other reporting requirements for the intercollegiate athletics programs of the constituent institutions. These requirements ensure that the chancellors, the boards of trustees, the president, and the Board of Governors receive and review the information needed to understand the sources that contribute to the athletics budget, monitor institutional expenditures, and objectively consider the balance between athletics and the academic mission of each constituent institution within the University.

II. Athletically Related Financial Reporting Requirements

A. Reports to the Chancellor

1. Reports to the U.S. Department of Education and the National Collegiate Athletic Association. The chancellor of each constituent institution with an intercollegiate athletics program shall review and approve the athletically related financial information required by and reported to the National Collegiate Athletic Association ("NCAA"), the U.S. Department of Education, and the Board of Governors through applicable University policy and regulations including, but not limited to, the financial information contained in the constituent institution's Equity in Athletics Disclosure Act ("EADA") Report and in its NCAA Operating and Capital Financial Data Report.

2. Review of Financial Indicators. The chancellor of each constituent institution with an intercollegiate athletics program shall annually receive and review the most recent year's data and five-year trend data for the financial indicators contained in the NCAA Dashboard "Presidential View" for the constituent institution's NCAA division.

a. The financial indicators reviewed for Division I institutions must include, at a minimum, the following:

- (1) NCAA Academic Progress Rate;
- (2) Generated Revenues/Total Athletics Revenue (%);
- (3) Net Athletics Revenues (\$);
- (4) Total Athletics Expenditures (\$);
- (5) Salaries and Benefits (%) (as a share of Total Athletics Expenditures);
- (6) Athletics Expenditures/Student-Athlete (\$);
- (7) Athletics Expenditures/Institutional Expenditures (%); and
- (8) Athletics Expenditures Rate of Change vs. University Expenditures Rate of Change (%).

b. The financial indicators reviewed for Division II institutions must include, at a minimum, the following:

- (1) Student Fees Revenue/Total Athletics Revenue (%);

- (2) Total Athletics Revenue (\$);
- (3) Athletic Student Aid/Total Athletics Expenses (%);
- (4) Coaches Compensation/Total Athletics Expenses (%);
- (5) Administrative Staff Compensation/Total Athletics Expenses (%);
- (6) Team Travel Expenses/Total Athletics Expenses (%); and
- (7) Average Academic Success Rates.

3. Review and Approval of Annual Intercollegiate Athletics Budget. The chancellor of each constituent institution with an intercollegiate athletics program shall review and approve the annual institutional budget for intercollegiate athletics, including:

- a. Major sources of revenue and expenses;
- b. Athletically related student fees data, including the institution's current athletics student fee and the percentage of student fee revenue as a share of total operating revenue for athletics; and
- c. Any relevant financial reports pertaining to the operation of the institution's intercollegiate athletics program.

4. Chancellor's Role in the Annual Report. The chancellor shall ensure that the annual report required by Policy 1100.1 incorporates the information included in this regulation, including the indicators from the NCAA Dashboard "Presidential View" and the athletically related student fees data. The chancellor shall also ensure that the report is forwarded to appropriate members or bodies of the faculty and that any response from such members or bodies is received and considered by the chancellor.

B. Reports to the Boards of Trustees

1. The board of trustees of each institution, through the chancellor, must annually receive and review the financial indicators contained in the NCAA Dashboard "Presidential View" for the institution as described in Section II.A.2., above. This "Presidential View" data should be reported on an annual basis and shall include the most recent year's data as well as five-year trend data.

2. The board of trustees shall also receive and review the annual institutional budget for intercollegiate athletics, including major sources of revenue and expenses. This budget report shall include, at a minimum:

- a. Major sources of revenue and expenses;
- b. Athletically related student fees data, including the institution's current athletics student fee and the percentage of student fee revenue as a share of total operating revenue for athletics; and
- c. Any relevant financial reports pertaining to the operation of the institution's intercollegiate athletics program.

C. Reports to the President and the Board of Governors

1. The president and, through the president, the Board of Governors shall annually receive and review the financial indicators contained in the NCAA Dashboard “Presidential View” for each institution as described in Section II.A.2., following review by the chancellor and the board of trustees. This information shall be provided by each institution as part of its annual report described in Policy 1100.1.

2. The president and Board of Governors shall also receive and review the athletically related student fees data for each institution, including each institution’s current athletics student fee and the percentage of student fee revenue as a share of total operating revenue for athletics.

III. Other Athletically Related Reporting Requirements

A. Additional Information to be Included in the Annual Report

Section 13 of Policy 1100.1 requires that chancellors submit an annual report to the board of trustees of the constituent institutions with a copy to the president, who will provide an appropriate summary to the Board of Governors. The annual report from the constituent institutions shall be designed according to criteria and format defined by the president and must include all the elements listed in the policy and the elements listed in this regulation, including the following elements:

1. As part of the discussion of the organization and philosophy of athletics programs (Section 13.a.), the chancellor shall include:

a. An explanation of the institution’s reporting structure for athletics compliance and whether and to whom the athletics compliance director reports outside of the department of athletics;

b. Any especially effective practices the institution has adopted that reinforce the integral connection between academics and athletics;

c. The indicators from the NCAA Dashboard “Presidential View” as described in this regulation; and

d. Athletically related student fees data, including the institution’s current athletics student fee and the percentage of student fee revenue as a share of total operating revenue for athletics.

2. As part of the information about the admission policy for student-athletes including the definitions utilized for exceptions to campus-based criteria (Section 13.b.), the chancellor shall include:

a. Any recruited student-athlete exceptions to the Board of Governors’ minimum admissions requirements, listed by sport.

3. As part of the provision of academic progression information for student-athletes (Section 13.f.), the chancellor shall include:

a. Information related to academic integrity and academic success measures such as the APR and six-year graduation rates;

- b. A summary of student-athlete GPA comparison information as set out in Policy 700.6.1[R].
 - c. Course-clustering information as set out in 700.6.1.1[G].
4. As part of the information about “booster” club organizations (Section 13.g.), the chancellor shall include:
- a. Information related to any associated entity that supports its intercollegiate athletics program, including financial information, operating procedures, and annual audit reviews.
5. The institution’s financial indicators contained in the NCAA Dashboard “Presidential View” as described in Section II.A.2., of this regulation, following review by the chancellor and the board of trustees.

IV. Effective Date

These review and reporting requirements shall take effect with and be incorporated in the annual reports due in 2014.

Financial and Other Reporting for Intercollegiate Athletics

I. Purpose

Consistent with the University of North Carolina's commitment to ensuring integrity and transparency in its financial and other operations, this regulation establishes financial and other reporting requirements for the intercollegiate athletics programs of the constituent institutions. These requirements ensure that the chancellors, the boards of trustees, the president, and the Board of Governors receive and review the information needed to understand the sources that contribute to the athletics budget, monitor institutional expenditures, and objectively consider the balance between athletics and the academic mission of each constituent institution within the University.

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1. The president and, through the president, the Board of Governors shall annually receive and review the financial indicators contained in the NCAA Dashboard “Presidential View” for each institution as described in Section II.A.2., following review by the chancellor and the board of trustees. This information shall be provided by each institution as part of its annual report described in Policy 1100.1.

2. The president and Board of Governors shall also receive and review the athletically related student fees data for each institution, including each institution’s current athletics student fee and the percentage of student fee revenue as a share of total operating revenue for athletics.

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