

Why Can't University Departments Contribute Money to Charitable Organizations?

Written by Heather Hosfeld, Assistant General Counsel, for the May 2006 issue of *Human Resources Spotlight*

When Hurricane Katrina devastated New Orleans and neighboring cities, it was natural that members of the University community would want to help the victims of the disaster. Many individuals supported those affected by the Hurricane by contributing their time and/or money. Some student organizations held fundraisers to raise money and awareness. So, why didn't the University contribute money to the American Red Cross, or another charitable organization? And why were individual departments told that they could not use a portion of their budget dollars to make a departmental contribution in the name of the University?

There are important reasons, based upon University policy and the law, why the University is prohibited from using its nonprofit resources for charitable contributions. Under the University's Travel & Business Expense Reimbursement Policy, contributions (charitable, political, etc.) are unallowable expenses. Accordingly, an employee, either individually or with a department, cannot decide to contribute to a worthy cause in the name of the University and then seek reimbursement from the University. The reason for this policy is that donors give money to the University intending that it be used for our legal nonprofit missions – education and research. If the University, or one of its departments, were to divert University funds to other nonprofit organizations based on its judgment (no matter how good its judgment may be about a worthy cause) this would be contrary to the wishes of our donors.

From a legal perspective, we are subject to charitable solicitation laws that require us to fully disclose how we will use contributions that we solicit from others. In other words, we need to let prospective donors know at the time of solicitation that we will use any funds collected to further the University's missions of education and research. Contributing to other charitable organizations is not part of our mission and we do not describe this as our mission when we are soliciting donor contributions. Accordingly, to then in effect use a donor's money to contribute to a charity would be a violation of the law.

If you have any questions about this article or other legal issues, please contact the General Counsel's office at 610-758-3572.