

## CUSTODIAL FUND AGREEMENT

1. A custodial fund is a fund held by the University of Illinois System ("System") in a purely fiduciary capacity for another party ("Owner"). The resources held in a custodial fund are not owned or controlled by the System. Financial activity within a custodial fund shall be that of the Owner, not the System. The Owner's use of custodial funds must be consistent with and supportive of the System's instruction, research, public service, and economic development missions.
2. Unless otherwise agreed by the parties in a separate contract, System will perform only the following basic accounting processes for custodial funds: depositing funds in a System bank account; maintaining a record of transactions and balances in the Banner general ledger system; processing cash receipts, disbursements, and journal entries as directed by the Owner; reporting transactions and balances periodically to the Owner; issuing IRS 1099 forms for funds disbursed from the custodial fund to external parties; and IRS reporting for disbursements to non-resident aliens. The System's provision of additional services to Owner shall be at the System's sole discretion under a separate, written contract between the System and the Owner.
3. The Owner is solely responsible for managing and spending custodial funds, including proper use of System processes and documentation to initiate transactions in Banner; regular reconciliation of Banner funds, including provision of fund reconciliation copies at the request of the System; maintaining positive cash balances; filing sales and other tax returns not performed by the System; and maintaining its organizational documentation.
4. The Owner agrees to cooperate with the designated System liaison unit in administration of the custodial fund. If the custodial fund repeatedly shows an overdraft status or an overdraft is not resolved within two months, the System may terminate this Agreement and the custodial fund and bill the Owner in Banner Accounts Receivable for the overdraft. At the close of custodial fund activity, the System will return any unused balance to the Owner, unless the Owner directs otherwise in writing. The System does not pay interest on custodial funds. Inactive or abandoned balances in the custodial fund will be treated as unclaimed property in accordance with Illinois law.
5. With prior written notification, the System may assess reasonable administrative fees against custodial funds.
6. Custodial funds are subject to review and audit at any time by the System and its external auditors.
7. By establishing a custodial fund, the Owner does not become a unit of the System and does not obtain System privileges, including but not limited to use of the System's: tax exemptions; the University Federal Employer Identification Number (FEIN); pricing or discounts on purchases; facilities; credit card processing services; payroll processing system; name, logos, trademarks; and property recordkeeping or tracking systems.

- 8.** The System is not responsible for the Owner's actions, including but not limited to: decisions to make disbursements from the custodial fund; indebtedness or other liabilities incurred by Owner; or actions taken by System at Owner's direction. Owner shall indemnify the System's Board of Trustees and its officers, employees, and agents from all losses, liabilities, costs, and expenses, including attorney fees, relating to or arising from Owner's actions and the System's management of the custodial fund at the Owner's direction.
- 9.** Donations to the Owner are not donations to the System.
- 10.** The Owner is responsible for all aspects of its own legal and tax compliance.

**By signing this Agreement, I certify that I am an authorized representative of the Owner and that I have authority to bind the Owner to this Agreement.**

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Approved as to legal form by Office of University Counsel [LMP/4-2020/OBS]