

## CIRM BUSINESS MEETING EXPENDITURE POLICY

### I. PURPOSE

This policy memorandum outlines CIRM policy and procedures governing the manner and extent to which CIRM may pay for or reimburse the cost of hospitality in the form of meals or light refreshments and in connection with business meetings, programmatic activities or entertainment events. Such hospitality may be provided to board members, staff, working group members, prospective candidates for CIRM employment, guests, visitors, volunteers, and other individuals who attend business meetings, programmatic activities or entertainment events. The memorandum also addresses the extent to which CIRM may pay for other necessary costs that may be incurred in connection with the meeting, activity or event. meals provided in connection with programmatic activities, such as board, subcommittee, working group, scientific, and grantee and applicant meetings, meals furnished to employees who are required to remain on CIRM premises during a meal period, and meals provided to prospective employees.

### II. SCOPE

This memorandum governs the appropriate use of CIRM funds for business meetings, programmatic activities or entertainment events when meals and/or light refreshments are served and/or when other costs may be necessary to conduct the meeting, activity or event.

### III. POLICY SUMMARY

It is the policy of the California Institute for Regenerative Medicine (CIRM) to comply with IRS regulations regarding the provision or reimbursement of business meals and entertainment

### IV. DEFINITIONS

**Additional Approval** – throughout this policy the term “additional approval” is used to denote those types of entertainment expenses requiring an additional level of approval versus the expense that specifically exceed a limit established in policy, and thus require approval as an “exception” to policy.

**Approving authority** – an individual who has been delegated written authority to approve expenditures for meals, light refreshments, and other amenities described within this policy. Certain expenditures must be approved by select higher-level designees who have been granted authority in writing if entertainment expenses exceed the per-person rates in Appendix A, or are of the following types:

- Expenses of a spouse or domestic partner, or family of the host or guests of the hosts,
- Recognition

**Business meeting expenditures** – expenditures for meals or light refreshments and related services (e.g., labor charges, room rental, equipment rental, and similar expenditures) incurred in connection with meetings at which the business of CIRM will be carried out. This includes meetings of the ICOC board and its subcommittees, working groups, advisory panels, grantees or

potential grantees, applicants for employment with CIRM, etc. At least one CIRM employee or other individual representing CIRM, including an ICOC member, must be present at any business meeting that includes non-CIRM persons. Business meeting expenditures may also be allowed for some meetings at which only CIRM employees are present.

**Domestic Partner** – a domestic partner means the individual designated as an employee’s domestic partner under one of the following methods: (i) registration of the partnership with the State of California; (ii) establishment of a same-sex legal union, other than marriage, formed in another jurisdiction that is substantially equivalent to a State of California-registered domestic partnership; or (iii) filing of a Declaration of Domestic Partnership form with the CIRM.

**Entertainment expenditures** – expenditures for meals or light refreshments and related services (e.g., labor charges, room rental, equipment rental, decorations, flowers, and similar expenditures) incurred in connection with events that are primarily social, provided they serve an underlying business purpose in support of CIRM’s mission (e.g. – to promote or provide goodwill and/or support to CIRM and its programs.)

**Guest** – a person who renders a service to CIRM or to whom CIRM wishes to extend goodwill and who is present at a CIRM business meeting, programmatic activity, or entertainment event at the invitation of a CIRM official authorized to host the activity.

**Internal business meetings** – includes meals or light refreshments provided at CIRM offices or an off-site location (e.g. – a restaurant) in connection with internal business meetings involving CIRM employees. In order to qualify as an “internal business meeting,” the meeting must include a formal agenda that must be attached to the business meeting reimbursement request form. If the agenda is not attached, the request for reimbursement will be denied.

**Light refreshments** – coffee and other beverages, snacks, hors d’oeuvres, pastries, cookies, crackers, chips, fruit, etc.

**Meal** – a catered or restaurant-provided breakfast, lunch, or dinner at which board members, working group members, advisory panel members, grantees, applicants, employees, prospective candidates for CIRM employment, or other individuals are present for the purpose of conducting substantial and bona fide CIRM business. Groceries and beverages purchased for an event may also be charged as a meal/meals.

**Official host** – a board member, employee or other individual who is CIRM’s representative at an official business meeting, programmatic activity or entertainment event. The individual arranging an event (e.g., making hotel arrangements, ordering food, etc.) is not the host unless he or she is physically present at the event and acting in a capacity as the official host.

**Programmatic Activities** – Programmatic activities are meetings and events that are in keeping with CIRM’s mission. Such activities include hosting events such as scientific meetings, meetings with governmental or scientific delegations from other countries or states, or from other research or funding organizations, etc.

**Reimbursement** – a payment to a CIRM board member, employee, working group member, or other individual for allowable expenses incurred in connection with a CIRM-approved business meeting, programmatic activity or entertainment event.

**Unallowed expenditures** – The following expenditures may not be reimbursed or paid to a vendor:

- Expenses that represent additional taxable income to an employee under Internal Revenue Service (IRS) regulations;
- Expenses that are lavish or extravagant under the circumstances;
- Monetary contributions to a political campaign or candidate;
- Entertainment expenses for employee birthdays, weddings, anniversaries, or farewell gatherings (including retirements or separation from CIRM employment);
- The purchase of property or services for personal use or for a non-business reason; and
- Alcoholic beverages.

**Vendor Payment** - a payment made directly to a vendor incurred on behalf of a CIRM-approved business meeting or other activity authorized under this policy.

**Work location** - the place where an employee spends the major portion of his or her working time, or the place to which the employee returns during working hours upon completion of special outside assignments.

## V. CIRM POLICY

This policy governs the appropriate use of CIRM funds for business meetings, hospitality events, and other occasions when meals and/or light refreshments are served.

There are occasions when CIRM may provide hospitality to board members, CIRM staff, working group members, advisory panel members, grantees, applicants, prospective candidates for CIRM employment, guests, visitors, volunteers, and other individuals as part of a business meeting, programmatic activity or entertainment event to support the mission of CIRM. As with other CIRM expenditures, the approving authority must exercise prudent business judgment in reviewing proposed expenditures for meals and light refreshments based on their reasonableness, allowability, benefit to CIRM, budget, and the availability of funds. In addition, such expenditures should be cost effective and in accordance with the best use of public funds.

This policy also addresses meals provided in connection with program activities, meals furnished to employees who are required to remain on CIRM premises during a meal period, and meals provided to prospective employees.

To conform to IRS regulations governing business expenses, CIRM will not reimburse costs to a CIRM employee for meals and light refreshments when the reimbursement results in taxable income to the individual. The exception to this rule pertains to situations

where the CIRM Finance Office has determined that the facts and circumstances warrant reimbursement of a late-submitted reimbursement request as taxable income.

A. AUTHORITY TO ISSUE POLICY AND PROCEDURES

The policy set forth in this memorandum is issued under the authority of the ICOC. (See Health & Saf. Code, § 125290.40.)

B. ALLOWABLE EXPENSES

CIRM permits expenditures for meals and light refreshments provided to board members, staff, working group members, advisory panel members, grantees, applicants, prospective candidates for CIRM employment, guests, visitors, volunteers, and other individuals for the purpose of conducting substantial and bona fide CIRM business.

1. Business Meetings

- a. Meetings of the ICOC Board and its Subcommittees, and Working Groups, and Advisory Panels.

CIRM may pay for or reimburse expenses for meals or light refreshments provided in connection with business meetings involving member of the ICOC, ICOC subcommittees, Working Groups, and Advisory Panels.

- b. Employee Internal Business Meetings

CIRM may pay for or reimburse expenses for meals or light refreshments provided at CIRM offices or in an off-site location (e.g. – a restaurant) in connection with business meetings involving CIRM employees. Generally, in keeping with the intent that all CIRM expenses be ordinary and necessary, such meetings should be scheduled when possible to avoid having to incur meal or light refreshment expenses. In addition, the following rules apply:

- A formal agenda must be developed as part of the internal business meeting. The agency must set clear expectations and allocate time limits for each item of discussion. Additionally, items of discussions should be listed to enable participants to prepare accordingly.
- Such expenses should occur infrequently (see Section V.C. for guidance), and
- Such expenses benefit CIRM and are reasonable and appropriate to the purpose and nature of the business meeting.

Examples of business meetings that fulfill these criteria include extended training sessions, conferences, and meetings of internal CIRM committees. In addition, business meetings may include

less formally organized meetings such as extended planning meetings and work groups.

In general, CIRM will not pay for or reimburse costs for meals taken with individual colleagues at the same work location unless the participants were unable to accomplish the business purpose during working hours

c. Business Meeting Expenditures Costs Incurred While Traveling on CIRM Business

A CIRM employee or board member on travel status who incurs hospitality expenses must claim reimbursement for such expenses according to the policies specified in this policy. The expenses must be documented and submitted for approval on a Travel Expense Claim. Meals associated with hospitality should be itemized (see CIRM Travel Policy). For travel conducted within the budget of the Office of the Chair, the Chairperson of the ICOC shall have approval authority within the travel and meeting budget approved for the Office of the Chair.

d. Visitors, guests, and volunteers

CIRM may provide meals and light refreshments to visitors, guests, and volunteers if the hospitality is necessary to the conduct of official CIRM business, such as:

- Visitors from other research or funding institutions, members of the community, and similar guests;
- Scientific or governmental delegations from other states or countries that are interested in exploring collaboration with CIRM; and
- CIRM-hosted or sponsored meetings of CIRM grantees or applicants, scientists, a learned society, a professional association, or another external organization.

2. Programmatic Activities

CIRM may provide meals or light refreshments furnished in support of CIRM's research programs, such as:

- Meetings of CIRM grant recipients or applicants;
- Meetings of scientists or physician-scientists engaged in stem cell research; and
- Similar meetings consistent with CIRM's mission.

### 3. Recruitment

CIRM may provide meals or light refreshments in connection with the recruitment of:

- Prospective employees who are under consideration for positions that require specialized training and/or experience of a professional, technical, or administrative nature, and
- Prospective working group members, alternates, and specialists.

### 4. On-the-job meals

CIRM may provide meals to CIRM employees under certain circumstances during work hours as a non-taxable benefit to the employee. The cost is not treated as taxable income when CIRM requires the employee to be on site in connection with a CIRM business purpose. For example, a meal would be provided for the benefit of CIRM when an employee is required to stay on-premises during his or her entire work shift either because the person is required to work during that period or is on-call.

The meal must be approved in advance by the President or Finance Office, and in the case of the Office of the Chair, the Chairperson of the ICOC, and must be provided on CIRM premises.<sup>1</sup> In addition, as a general rule, the meal must be provided during the employee's working hours if the employee's duties prevented the employee from obtaining a meal during working hours. If an employee works overtime in order to complete critical work, however, a meal may also be provided.

There is no limit as to frequency or number of on-the-job meals that are offered to employees who are required to remain on site.

The IRS gives the following examples of when meals are provided primarily for the convenience of the employer and not for a compensatory purpose:

- When an employee needs to be on emergency call during the meal period,
- When an employee needs to take a shortened meal period and cannot leave the workplace to take a meal (e.g., because peak work load occurs during a normal meal period), and
- When there are no food providers or eating facilities in the vicinity of the employee's workplace. When meals or light refreshments

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<sup>1</sup> All expenditures approved by the Chairperson pursuant to this memorandum must be within the approved travel and meeting budget for the Office of the Chair.

are provided in connection with a business meeting involving CIRM employees, see Section V.B.1.b.

5. Entertainment

Meals or light refreshments may be provided to visitors, guests, members of the community, or employees where the purpose of the activity is primarily social, provided there is an underlying business purpose in support of CIRM's mission.

VI. TAX TREATMENT OF BUSINESS MEAL AND ENTERTAINMENT EXPENDITURES

Under IRS regulations, an employer's reimbursement of an employee business meal or entertainment expense will be considered taxable income to the employee if:

- The activity is not directly related to the employee's job,
- The expense is lavish or extravagant under the circumstances,
- The official host (or other designated employee) is not present when the activity takes place, or
- The expense is not substantiated with supporting documentation.

An expense which is reasonable in light of all the facts and circumstances is not considered lavish or extravagant. Relevant facts may include general convenience and acceptable industry practice under the circumstances. An expense is not considered extravagant merely because it exceeds a fixed dollar amount or involves first-class accommodations.

**No expenditure that is considered taxable income to an employee under IRS regulations will be reimbursed or paid by CIRM. The exception to this rule is if CIRM imputes taxable income to an employee caused by expense reports submitted after the reasonable amount of time limits described in this policy. Such expenses can still be reimbursed by CIRM if the expenditures are otherwise substantiated for CIRM business purposes.**

Deductible meal and entertainment expenses must be *directly related to or associated with* the active conduct of official business, as provided in Section 274 of the Internal Revenue Code . and submitted within the timelines identified in this policy (section VII Approval of Expenditures.) A business meal or business entertainment expenditure is *directly related* if the following four conditions are met:

- The taxpayer<sup>2</sup> has more than a general expectation of deriving income, or a specific business benefit, from the meal or entertainment. However, the taxpayer is not required to show that income or a specific business benefit actually resulted;
- The taxpayer did in fact engage in business discussions during the meal or entertainment (or if the taxpayer did not, it was for reasons beyond the taxpayer's

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<sup>2</sup> Taxpayer in this case is CIRM or a CIRM employee or an ICOC member.

- control);
- The principal nature of the expense was the active conduct of the taxpayer's trade or business; and
- The meal or entertainment expense was for the taxpayer, the taxpayer's business guest or guests, and their spouses (Reg. §1.274-2(c)(3)).

A meal or other entertainment expense *is associated* with the conduct of a taxpayer's trade or business and therefore not taxable if there was a clear business purpose in making the expenditure and if it directly precedes or follows a substantial and bona fide business-related discussion.

Meal and entertainment expenses that are *directly related to or associated with* the active conduct of official business are not taxable to an employee if reimbursed by the employer or paid by the employer on the employee's behalf. **However, business meals provided to an employee on a routine or frequent basis will be treated by the IRS as personal expenses includable in an employee's gross income (see Section VIII.C).**

## VII. APPROVAL OF EXPENDITURES

### A. GENERAL APPROVAL REQUIREMENTS FOR REIMBURSEMENT

Employees seeking reimbursement for CIRM business-related meals and business meeting related expenses incurred from their personal funds must submit their expense claims within a reasonable amount of time not to exceed **forty-five days** after the expenses were paid or incurred. If expense claims are not submitted within this timeframe, the Department of General Services (DGS)/State Controller's Office (SCO) may determine it is a taxable expense and therefore reported on the employee's IRS Form W-2.

If a CIRM traveler incurs a business-related meal expense that constitutes hospitality or entertainment, they must seek approval from the Finance Office before incurring the expenses to ensure it complies with this Policy. Additionally, such expenses may only be reimbursed in accordance with this Policy.

In approving a request to reimburse an employee or to make a direct payment on behalf of the employee to a third party for expenditures authorized under this policy, the President or Finance Office, or in the case of the Office of the Chair, the Chairperson, must determine that:

- The expenditure serves a clear and necessary business purpose or benefit to CIRM;
- The expenditure of funds is reasonable, cost effective, and in accordance with the best use of CIRM-administered funds;
- The expenditure does not create taxable income for an employee;
- Funds are available and the expenditure is allowable under the specified fund source, and
- Any alternatives that would have been equally effective in accomplishing the desired objectives were considered.



CIRM individuals permitted to approve business meeting expenses must have written authorization on file with the Finance Office.

#### B. PRE-APPROVAL REQUIREMENTS

Pre-approval from an authorized supervisor/manager is required for all business meeting expenditures except:

- ICOC and ICOC subcommittee/task force meetings
- Working group meetings
- Advisory panel meetings
- Recruitment expenses (up to \$200)

#### C. APPROVAL OF ENTERTAINMENT EXPENSES

In addition to the general approval requirements listed above, the requirements set forth in this section will apply to the approval of entertainment expenses.

To ensure proper internal controls, an individual with delegated approval authority may not authorize payment of the entertainment expenses of anyone to whom he or she reports either directly or indirectly, i.e., the approving authority should be the supervisor of (or at a higher classification than) the person claiming the expenditure. In addition, individuals with delegated approval authority shall not approve their own entertainment expenses or the entertainment expenses of a near relative (e.g., spouse, domestic partner, child, parent, etc.). However, the President shall be responsible for approving any expenses incurred by the Chairperson, the Chairperson shall be responsible for approving any expenses incurred by the President.

#### D. EXPENSES REQUIRING ADDITIONAL APPROVALS

Certain expenses authorized under this policy require additional approval of the Finance Office. These include the following:

- Entertainment of a spouse or domestic partner

#### E. EXCEPTIONS TO POLICY

Any request for approval of an exception to the per-person maximum must include written justification for the expenditure. The President or Chairperson (for Office of the Chair/ICOC only) must approve any exception to the per-person rate that exceeds the rates established in the Appendix A for all events other than those hosted by the President/Chairperson. The request must document circumstances which are unavoidable or necessary to accomplish a CIRM business purpose. The fact that actual costs exceeded the authorized rate is not in itself justification for the higher reimbursement rate.

The following are examples of circumstances which would warrant reimbursement of expenses in excess of the standard rates for meals and light refreshments:

- Meals or light refreshments must be obtained at the hotel/conference where a meeting is being held;
- Meals or light refreshments must be delivered by a caterer to reduce meeting interruptions or promote event continuity, or due to the location of the event where there are no nearby eating facilities; or
- An event, such as a recruiting activity must be held at a prearranged place appropriate for the event or the excepted business benefit.

The individual delated authority to approve exceptions to this Policy must assure that the required written justification is adequate and that the expenses meet all other approval requirements contained in this policy before approving the expenses. Reimbursement of such expense is limited to the actual documented cost incurred.

Requests to exceed the established limits must be approved by the President/Chairperson and may not be delegated, except when the President and Chairperson are absent due to travel, vacation, illness or other leave.

## VIII. REIMBURSEMENT DOCUMENTATION

### A. REIMBURSEMENT OR PAYMENT REQUEST

A request for reimbursement, or payment of expenses for meals or light refreshments and related services must be submitted on the CIRM Business Meeting Expense Checklist payment request form. The completed request must include the following information:

- Type of expense (lunch, dinner, etc.);
- Type of event;
- Number of participants (attach a guest list containing the name and title of participants, and their occupation or group affiliation, in order to establish the business-related relationship to CIRM);<sup>3</sup>
- Date and location of the event;
- Business-related nature of the occasion or purpose of the event; and
- The signature, printed name, and title of the approving authority.

Expenses must be supported by original itemized receipts, or acceptable electronic receipts, which must be submitted with the request for payment. If a receipt cannot be obtained or was lost and all measures to obtain a duplicate receipt have been exhausted, the reimbursement request must contain a statement explaining why the

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<sup>3</sup> If it is impractical to list each guest based on the open nature of the event (e.g., CIRM team meetings or similar event), the documentation need not include individual names and titles.

receipt is not being provided. The statement must also include a certification that the amount claimed is the amount actually paid.

## B. BUSINESS MEETING DOCUMENTATION

CIRM policy requires that meals or light refreshments provided in the course of a business meeting *must be a necessary and integral part of the business meeting, not a matter of personal convenience*, whether the meeting is for internal purposes or includes external organizations. When a meeting takes place over an extended period of time and the agenda includes a working meal, there may be justification that the meal is integral to the business function. Examples of such events include:

- A meeting where there is a scheduled luncheon speaker,
- A meeting where the participants work through the lunch period, or
- Circumstances where it would be too time-consuming or disruptive to event continuity for participants to take a meal break away from the meeting location.

CIRM policy does not permit reimbursement when two or more employees choose to go to lunch together to continue their business as an *incidental* part of the meal, when the meal is of a reciprocal nature,<sup>4</sup> or when the meeting could have been scheduled during regular working hours.

The business purpose of meals or light refreshments provided as part of a meeting must be explained on the payment request form or substantiated by other documentation (e.g., an agenda) attached to the form.

## C. FREQUENCY OF MEALS AND LIGHT REFRESHMENTS

Meals and light refreshments that are provided by an employer to its employees on a frequent or routine basis are treated by the IRS as taxable income and therefore are not reimbursable under CIRM policy. The following guidelines should be followed in providing meals and light refreshments in connection with a *business meeting, program activity or entertainment event*:

- Meals should be limited to no more than once a month or twelve times per year, per group.
- Light refreshments should be limited to no more than twice per month, per group.

Meals or light refreshments provided to a group should be counted on an event basis, e.g., a two-day meeting should be counted as one event in determining compliance with these guidelines.

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<sup>4</sup> The parties reciprocate by paying for each others' meals.

On-the-job meals provided to employees who are required to be at their work stations during a normal meal time also may be furnished on a more frequent basis. However, in general, CIRM will not pay for or reimburse costs for meals taken with individual colleagues at the same work location unless the participants were unable to accomplish the business purpose during working hours.

#### D. AUTHORIZED RATES FOR MEALS AND LIGHT REFRESHMENTS

The maximum per-person rates for meals and light refreshments are specified in Appendix A and include labor, sales tax, delivery charges, and other service fees. These rates do not include any costs associated with rental of meeting or conference facilities, equipment rentals, decorations, and other items, which may be charged as an additional expense. The maximum rates will be adjusted automatically when the rates in UC Business Policy 79 are adjusted.

If expenditures exceed the per-person maximum rates specified in Appendix A, adequate justification must be included with the payment request submitted for approval. Such requests must be submitted to the individual with delegated authority for approving exceptions to this policy (see Section IV.E) In no event shall the reimbursement exceed 200% of the maximum rate.

The following are examples of circumstances that would warrant reimbursement of expenses in excess of the standard rates for meals and light refreshments:

- Meals or light refreshments must be obtained at the hotel or conference site where a meeting is being held; and
- Meals or light refreshments must be delivered by a caterer to reduce meeting interruptions or promote event continuity, or due to the location of the event where there are no nearby eating facilities.

#### E. QUANTITY PURCHASES

Supplies of food, beverages, and related items may be accumulated in connection with official business meetings, entertainment events, and other activities in order to simplify the planning of individual events and to take advantage of favorable pricing on quantity purchases.

Quantity purchases (e.g., beverages, nonperishable food, supplies, etc.) should be limited to the amount that will be used within the fiscal year. With respect to supplies, because maintaining a precise record of per unit costs or the number of items used for a particular event may be unduly burdensome, a reasonable estimate of the quantities used and the associated cost may be entered on an inventory record.

#### F. FINANCIAL CONTROLS

To ensure prudent financial controls, payments for expenses authorized under this Policy are to be made directly to the individual incurring the expense or the vendor providing the

service. All relevant documentation should be attached to the request for payment. For example, a vendor contract for catering must be attached to a request that payment be made directly to the caterer, and must be mailed directly to the caterer with the check (or separately for electronic payments).

No reimbursement may be made to or delivered for distribution to any individual who was involved in either the approval or payment preparation process, *unless an exception has been made in writing by an authorized official.*

## IX. RESPONSIBILITIES

### **Finance Director**

The Finance Director, subject to the supervision of the President, is responsible for issuing appropriate procedures for processing official expenditures for meals and light refreshments and related services in connection with business meetings, programmatic activities and entertainment events.

The Finance Director is also responsible for ensuring that expenditures for meals, light refreshments, and related expenditures comply with CIRM policy and fund source restrictions, that appropriate documentation is provided to substantiate such expenditures, and that the expenditures do not exceed the frequency limits set forth in this Policy. The Finance Director is responsible for ensuring that the payment request form (or electronic equivalent) is approved by the required individuals.

The Finance Officer ensures that supporting documentation is retained in accordance with the requirements of CIRM's finance policies and the requirements of its document retention policy.

## APPENDIX A

### MAXIMUM RATES FOR MEALS AND LIGHT REFRESHMENTS

The maximum per-person expenditures for meals and light refreshments furnished by the CIRM may not exceed the following amounts:

Breakfast	\$28.00
Lunch	\$49.00
Dinner	\$85.00
Light refreshments	\$20.00

The reimbursement for a buffet reception cannot exceed the applicable meal rate associated with the type of buffet, i.e., breakfast, lunch, or dinner. Reimbursement for a brunch may be made using the lunch rate.

The maximum per-person expenditures listed above include the cost of the food and beverages, labor, sales tax, delivery charges, and other service fees. If a reception before a meal includes beverages and hors d'oeuvres, the combined charges for the reception and the meal should be treated as a single event for purposes of calculating per person costs.

The costs of room rental, room setup fees, media rental, and decorations, etc., are not included in the per-person costs unless those costs cannot be separated by the vendor.