

University Financial Management-Operations Manual

- Section 3.13 Gifts and Fund Raising -

1. Overview

The University is a 501(c)(3) charitable organization and may accept gifts to support its mission. This section provides guidance on gift and fund raising process governing all areas of the University.

2. Definitions

Donor – Any individual, corporation, foundation or other organization providing gifts to the University.

Gift – A gift is any voluntary contribution of an asset (cash, stocks, property, etc.) to the University from donors where no goods or services were provided in exchange for the contribution. Certain nominal goods or services as defined by IRS regulations (key chains, stickers, etc.) may be provided to donors without impacting the charitable deductibility or accounting classification of the gift.

Benefit – Benefits are goods or services directly linked to a contribution and accepted by the donor. Benefits (season tickets, sweaters/apparel, etc.) limit the charitable deductibility of the gift and benefits have different accounting treatments.

Fund Raising Event – A fund raising event is any ancillary good or service and not directly tied to a gift and where the proceeds of the event is specifically marketed for restricted purposes (e.g., a golf event to benefit a scholarship endowment). A fund raising event is not the same as an income/expense activity (where the department is in business to provide a service to the campus and/or community) and not the same as educational sales (where the department's educational mission includes revenue-generating activities, such as the Theatre Department performing plays and musicals).

Tax Receipt – The University is required to provide an official receipt to donors for all gifts, disclosing any benefits, as governed by IRS regulations.

Solicitation – A solicitation is any request of a donor to consider a gift to the University, usually conducted via phone calls, mailings, or in person.

Proposal – Solicitations for large dollar gifts are considered proposals and must be pre-approved before any agent of the University conducts the ask (see Gift Proposal Clearance Policy).

Pledge – A pledge is a voluntary commitment by a donor to make gifts on a scheduled basis (monthly, quarterly, annually, etc.).

3. Policy

Gifts Policy
Gift Proposal Clearance Policy

4. Roles & Responsibilities

The Board of Trustees is responsible for officially accepting gifts.

The Office of Development and Alumni Relations is responsible for coordinating solicitations and proposals, for processing gifts and pledges, for providing tax receipts to donors, for establishing new gift funds and endowments, and for providing departments with donor restrictions on gifts.

Departments seeking to solicit donors must coordinate their efforts through Development and Alumni Relations.

Department business managers are responsible for monitoring gift funds and spending from gift funds in compliance with donor restrictions.

Dean/VP Financial Managers are responsible for overseeing all gift funds in their operating units, ensuring year-end balances are not in deficit, and ensuring budget transfers are correct.

5. Topical areas

Procedures and guidelines are established to coordinate the University's diverse fund raising needs and to provide a framework for complying with donor restrictions on gifts.

A. Soliciting Gifts

To solicit a wide group of donors for outright gifts, contact Alumni and Parent Programs. This office coordinates appeals to ensure gifts received go to the proper gift fund and to ensure donors are not being inundated with requests for gifts.

- Direct Mail Solicitation: Contact Alumni and Parent Programs
- Phone Solicitation: Contact Alumni and Parent Programs
- Peer-to-Peer Solicitation: Contact Alumni and Parent Programs

To solicit donors for large individual contributions (\$10,000+), contact Campaign Programs. This office manages relationships with top donors. Solicitations over \$250,000 must be approved by the President or Provost and solicitations over \$25,000 must be approved by the Vice President of Development and Alumni Relations.

- Personal Solicitation: Contact Campaign Programs

To conduct other types of fund raising, including membership drives, 50/50 raffles, bake sales, events, auctions, sales with gifts attached, sponsorships, or any other form of fund raising, contact Alumni and Parent Programs. Note, these efforts must be carefully coordinated and executed to ensure compliance with all applicable tax laws.

To seek funding for anything that might be considered a "grant", then contact the Office of Sponsored Programs. See section below on "Grants vs. Gifts vs. Fund Raising".

B. Depositing Gifts and Submitting Pledges

The Gift Records Department processes all gifts and pledges for the University (not the Cashier's Office) to ensure the gift or pledge can be officially accepted under university policy and to provide an official legal tax receipt to the donor.

To deposit gifts, send the cash, checks or credit card payments noting the name of the gift fund (chartstring) and/or restrictions to Gift Records, Grasse Mount Building. Deposits of \$10,000 or more must include a gift agreement, letter from the donor, solicitation from UVM unit or

confirmation letter from UVM unit to the donor (the check alone is not sufficient; back up is required).

Once deposited by Gift Records, gift revenue will be recorded in Peoplesoft and expense budgets are increased based on the amount of new revenue. Also, Development makes available a report to departments noting the names, addresses and amounts of donors' gifts deposited.

A pledge is a voluntary commitment by a donor to make gifts on a scheduled basis (monthly, quarterly, annually, etc.). To submit a pledge, please forward to Gift Records a gift agreement, letter from the donor, or confirmation letter from UVM unit to the donor outlining the amount of the pledge, the name of the gift fund and the schedule of payments. Note, pledges of \$10,000 or more require a donor signature.

The Gift Agreement form can be used to submit gifts or pledges. The form can be customized for a particular solicitation (examples include a customized response card, a personal letter from the donor, a formal gift agreement, etc.). If a customized form is used without providing answers to all questions, then the default will be used. The default is the first choice given. Note, if the pledge or gift involves a new fund, then see "Set Up A New Gift Fund".

C. Setting Up A New Gift Fund

New Gift Funds are established by departments to track gifts based on donor restrictions. Named Gift Funds are established by donors based on their particular restrictions. New gift funds are subject to review by and, approval of, several offices at the University, including the Dean/VP Office. Please submit the New Gift Fund form to the Dean/VP Financial Manager, who will review and forward to Gift Records.

D. Grants vs. Gifts vs. Fund Raising

The words "gift" and "grant" and "fund raising" are used interchangeably by donors, grantors and faculty/staff, however, the nature of the transaction drives the accounting procedures (not the words). These procedures reflect IRS regulations, GASB standards, UVM policies and other related internal and external requirements. The information below covers the vast majority of distinguishing characteristics among gift, grant and fund raising transactions.

- Grants — If any of the following conditions are part of the transaction, then it is a grant to be processed via the Office of Sponsored Programs:
 - Federal, state or other governmental funding
 - Any testing of the sponsor's drug (clinical trial).
 - Contains any intellectual property provision, including exclusive rights, first right or shared rights, etc.
 - Rights to get back unused funds/goods upon request.
 - Exclusive research results or other work product.
 - Any right to direct expenditures, including choosing vendors.
 - Regular, detailed financial or expense reports and/or project outcome reports.
- Gifts — The following conditions are acceptable as part of a gift transaction to be processed via Development and Alumni Relations and do not jeopardize the tax-deductibility of the transaction:
 - No terms whatsoever
 - General restriction on the use of the funds without controlling the expenditures
 - Anonymous
 - Trinkets or other insignificant products (2% or \$85, whichever is less).

- Naming of a room, building, program, college/school, scholarship, etc.
 - Sponsorship of an event or program (i.e., logo and/or name/address only).
 - Limited financial reporting or progress reporting for stewardship purposes only.
 - Supporting the general research activities of a particular faculty member or department, so long as there are no other terms or conditions regarding the research, procedures or results thereof.
- Gifts with Membership Programs — The following conditions do impact the tax-deductibility of a gift and, depending upon the value, could negate the gift entirely:
 - Admission to a conference, event, dinner, golf tournament, etc.
 - Tickets, hats, jackets or other tangible substantial product.
 - Access to Athletics tickets or Athletics priority seating.
 - Advertising (call to action as part of a sponsorship; "visit us").
 - Any other products or services in exchange for the gift.
- Fund Raising — Other forms of fund raising may be conducted, but must be marketed as benefiting a particular gift fund at UVM to be deposited into a restricted fund; otherwise the revenue is general fund revenue. Check with FAB or DAR Examples of fund raisers are:
 - Event or conference ("all proceeds" or "net proceeds" benefiting the ___ Fund)
 - Silent auction
 - Entrance to a raffle or other game of chance
 - Sale of food or apparel
 - Any gift with benefits where the benefit value is so great that it entirely negates the tax-deductibility of the gift.

If a question still remains about the nature of the transaction then the Office of Sponsored Programs, Development and Alumni Relations and the Controller's Office will render a decision on a case-by-case basis.

E. Submitting a Donor Address/Bio Change

Gift Records tracks home addresses, business addresses, seasonal residence addresses, email addresses, phone numbers, job titles and other biographical data. Send to Gift Records any changes or new information for donors.

F. Requesting Reports

Development and Alumni Relations provides Dean/VP Offices with access to donors reports which are updated weekly. Custom reports may be requested at any time and may include address labels for mailings, historical giving to departments, and unpaid pledges due in the future.

G. Membership Programs

In some cases, membership programs can be helpful to attract and retain donors. Members are offered benefits based on the level of gift. Before starting any membership program, please carefully review the real costs of benefits given and the soft costs of time to administer a membership program, to see if such a program is worth the investment. If you choose to start a program, the following information is needed:

- Membership levels (e.g., \$100, \$500, \$1000, etc.)
- Benefits associated with each level (e.g., \$100 gets a free tshirt, \$500 gets admission tickets plus the tshirt, etc.)

- Fair market value of the benefits (FMV is not what UVM paid for the item, but what the retail price of the item would be)
- Membership duration (usually the duration is "annual" and it is *best* for it to be fiscal year based or calendar year based)

Important considerations: First, be careful with the benefits you choose to give away. Will these benefits really increase membership? Are you giving too much away? Second, there are tax implications. Some benefits reduce the donor's tax deduction, so consult IRS publication 526 for more information (www.irs.gov).

- Soliciting Members: Work with Alumni and Parent Programs to determine the best solicitation strategies.
- Tracking Members: When pledges/gifts are received, you will have access to reports of new activity, which show you who is eligible for benefits. You can track these levels within your department or you can have access to DAR's database and track members in "Gift Clubs". Here, you would look up a donor and assign the membership level to the donor. This also allows you to assign "honorary" memberships.
- Membership Reports: You can view (and save/export) membership listings. See "Gift Club - Listings." If you need additional reports, you can request those as needed via "Custom Reports."

H. Frequently Asked Questions

1) Who can contribute to a gift fund?

Any person, corporation, foundation or other non-governmental entity may make a charitable-deductible contribution to a gift fund. In doing so, they agree to the terms and conditions governing allowable expenses, investment policy and other terms. Departmental funds may not be used to contribute to gift funds (i.e., general fund dollars cannot be transferred to a restricted fund). Federal and state funds may be added to gift funds in rare cases (usually a one-time, small transaction), but the revenue is not considered gift revenue (it is other revenue). Contact the Office of Sponsored Programs for more information.

2) What can be given?

Donors may contribute by cash, checks, credit card or marketable securities (stocks, bonds). Most forms of personal property or other tangible assets are allowed, however, these transactions should be reviewed with Development and Alumni Relations before accepting the gift to ensure compliance with IRS regulations, GASB standards and other policies. Many other forms of revenue can be deposited to a gift fund, but not all. For example, an event may be held where proceeds benefit a gift fund. Each situation is different and departments might need additional authorizations to accept income. Contact Alumni and Parent Programs to initiate these types of fund raisers.

3) What is a gift fund?

A gift fund (sometimes called gift account) is a restricted fund, including endowed funds, to which donors make gifts. Most of the revenues qualify as charitable deductions for donor tax purposes. A gift fund is a restricted fund because donors contribute to the fund with the expectation that the gift will be spent in a particular way (governed by the restrictions on the fund). Donors may contribute to the University without any restriction on the use of the

gift. These gifts benefit The UVM Fund (sometimes referred as president's unrestricted fund or annual giving fund).

4) What kinds of expenses are allowed?

Each fund has its own set of restrictions or allowable expenses, which can make knowing the allowable expenses difficult. Here's why:

- Some funds are very restrictive and others are virtually unrestricted.
- Simply having a "gift fund" does not necessarily mean the fund is unrestricted.
- The name of the gift account or other codes might not convey the true allowable expenses.
- A document governs the allowable expenses.

No special phrase exists to differentiate an "discretionary" type gift fund—the type of flexible fund most departments want—from a gift fund with many restrictions. Some phrases used to mean discretionary are “annual fund” or "unrestricted fund" or "gift account". "Discretionary" here means there are no restrictions, aside from the college/school, department, or program in control of the fund. To verify if a gift fund is truly discretionary, consult the governing fund language document.

A gift fund might be named after a donor or an emeriti faculty member or a department, etc. Because of this, the name of a gift fund does not necessarily relate to its purpose. For example, “The Chris Jones Endowed Chair Fund” might be an endowed chair gift fund which allows for research expenses only and not salary or fringe.

All restrictions are outlined in the terms and conditions governing the fund, including allowable expenses, and are recorded either in the Treasurer's Office or in the Gift Records Office of Development and Alumni Relations. The document is sometimes called "fund language" or "memorandum of understanding". For a copy of the terms and conditions governing a fund, contact the unit business manager or Gift Records.

5) What happens if a donor's gift is more restrictive than a gift fund?

Sometimes a donor is more restrictive with his/her gift than the gift fund. For example: UVM might have a HOCKEY TEAM FUND, with no other restrictions. UVM might also have a HOCKEY TEAM EQUIPMENT FUND, which allows equipment expenses only. A donor might be more restrictive than either of those funds, by writing "Here's my gift of \$xxx for the Hockey Team to buy hockey sticks only". For auditing reasons, this gift must be tracked separately and here is how it is done:

- If the gift is \$10,000 or more, it will be deposited to a totally new gift fund, perhaps called "Hockey Team Sticks Fund".
- If the gift is under \$10,000, it will be deposited to HOCKEY TEAM GIFT HOLDING FUND with a note to the department that the gift is for "hockey sticks only".

In Peoplesoft, “Source” is used to identify the donors and restrictions on gifts. A "Discretionary" type gift fund has a Source code of 400001. This has to be used in conjunction with other chartfields to know the restrictions, i.e., the other chartfields are the only controlling factors over the gift fund. For example, if there is only an operating unit and department with no program code, then these are discretionary gifts for the department. A “Designated” type gift fund has a Source code of 499999 and is used when a donor makes

a gift under \$10,000 with specific restrictions that do not fit into other existing gift funds. The reference field in Peoplesoft will contain the specific instructions of the donor. Two options are available at this point to the department: (1) spend the gift by charging expenses to this chartstring or (2) request a new gift fund be established and the gift will be transferred to this new fund. All other Source codes 4xxxxx have unique sets of restrictions and budget managers should consult the governing terms and conditions of those funds.

6) Can we change a donor's restriction or change an existing gift fund?

This can be extremely difficult. Under Vermont law, any change of any kind to any gift fund must be authorized in writing by all donors whose gifts are unspent. If a donor is deceased or cannot be contacted, then only courts can authorize changes on behalf of that donor.

7) What are the different types of gift funds?

A restricted fund is fully expendable for the stated purpose. For an endowed fund, only the budgeted amount is expendable for the stated purpose.

8) How do we get a gift fund?

Gift funds are subject to review by and, approval of, the Office of Financial Analysis and Budgeting, the Treasurer's Office and, in many cases, the Provost's Office. To start the process, go to "Set Up a New Gift Fund."

9) Can a donor get anything in return for a gift?

Yes, however, certain rights, privileges, services, goods or other conditions given to or expected by the donor in return for a gift may alter the charitable nature of the gift based on IRS regulations and other policies. In addition, the way in which the gift was solicited may dictate the type of fund, according to GASB accounting standards and other policies. Therefore, planning and coordinating solicitations with Development and Alumni Relations is very important to document gift conditions and expectations and to ensure proper accounting and receipting.

Examples of rights, privileges, services, goods or other conditions given to or expected by the donor in return include:

- Naming of a room, building, program, college/school, etc.
- Tickets, hats, jackets, or other tangible substantive products
- Entrance into a raffle or other game of chance.
- Sponsorship, usually tied to corporate benefits programs
- Admission to conference, event, dinner, golf, etc. with no gift
- See also Grants vs. Gifts vs. Fund Raising

10) Can an employee give to his/her own department or fund?

An employee cannot donate to a fund he/she manages and receive an official tax receipt. The IRS specifically prohibits this activity. See IRS Publication 526 regarding donor control. To provide employees an opportunity to make gifts in support of his/her department, special gift funds will be created at the dean or provost level where control rests with the supervisor, not the employee. Example, the chair of the department might want to make a contribution to support his/her department. A gift fund will be created in the

name of the department but the control will be in the dean's office. Specifically in Peoplesoft, this means the Department chartfield will be that of the dean's office to ensure the donor has given up control of the gift. Gifts to endowments have special considerations and are handled on a case by case basis.

11) Can an employee provide a free service in exchange for a gift?

An employee might provide a service (e.g., give a lecture or provide consulting) to a non-UVM organization or company. The employee agrees to do the service free of charge and then the company can choose whether or not it wants to make a gift to UVM (i.e, there is no guarantee that the company will make a gift to UVM). Even if offering to the service for free, some companies will still consider this “fee for service” and not a gift. In these cases, the check cannot be accepted as gift revenue because (a) if the employee was acting on behalf of UVM, then the check is service revenue, not a gift and must be deposited as sales/service revenue or (b) if the employee was not acting on behalf of UVM, then the check is actually income to the person, reportable on his/her income taxes. For more information, contact Gift Records.

12) What's difference between a “reimbursement” and a “gift”?

An outside group might be willing to cover UVM's costs for refreshments at a UVM meeting or cover UVM's costs for a mailing. Even though the group is only paying for UVM's actual expenses, this is revenue (not a reimbursement, not a credit deposit against an expense) and would be processed as a gift in most cases.

13) What's the difference between a “sponsorship” and an “advertisement”?

The terms sponsorship and advertisement are sometimes used interchangeably. For tax purposes, an advertisement contains a call to action and is not treated as gift revenue, where a sponsorship simply displays basic company information and is treated as a gift. Examples: if a sign displays a company logo with phone number, then it is a sponsorship, but if the same sign also says “call us for free quotes”, then it is an advertisement (not a gift).

14) What's the difference between a “gift” and a “grant”?

The words "gift" and "grant" are used interchangeably by donors and grantors, however, the nature of the transaction drives UVM accounting procedures (not the words). These procedures reflect IRS regulations, GASB standards, UVM policies and other related internal and external requirements. See the Grants vs. Gifts vs. Fund Raising section or contact OSP or DAR.

15) How are memorial gifts handled?

When a faculty member, student, alum or other UVM constituent passes away, the University will accept memorial gifts. At the time of passing, no one can predict the extent to which memorial gifts will be made, therefore identifying the gifts' purpose or naming opportunity upfront is a challenge. Development provides departments with the ability to collect memorial gifts over a period of a few weeks or months, by directing donors to a memorial fund (e.g., “Gifts may be directed to the ___ Memorial Fund which will honor the life and works of ____.”). Then, DAR will work with the department to identify appropriate ways to use the memorial gifts, which may include a memorial bench, a one-time scholarship award, a named current operating fund, a named endowment fund, etc. The

University's Gift Policy establishes the minimum levels for naming scholarships, lectures, rooms or other forms of recognition from gifts. Once the decision is made about the gifts' purpose, departments should notify donors of that purpose.

16) Can donors and vendors support University events?

When the University sponsors events, alumni and friends might want to help defray the costs of the event by (a) donating money to cover the costs that a vendor charges or (b) as vendor, donating goods or services. Each of these scenarios has tax implications for the donor or the donor/vendor.

- Donor and Vendor are different entities — If a donor wants to cover the costs charged by a vendor (caterer, speaker, etc.), the donor should make a gift to UVM. The gift amount is completely chosen by the donor, so it can be more than, less than or equal to the amount of the vendor's costs. The vendor invoices UVM and the University will pay the vendor directly (the donor should not pay the vendor on behalf of the University). UVM will provide an official tax acknowledgement to the donor as the gift is fully tax-deductible under IRS Publication 526.
- b) Donor is the Vendor — A vendor can support a University event in two ways: Outright Gift or Gift-In-Kind. Each way has tax implications for the vendor to consider
 - Outright Gift — When a vendor (caterer, speaker, etc.) provides a service to UVM, the vendor provides UVM with an invoice and UVM pays the vendor. When the vendor is an individual, UVM's payment to the vendor is considered tax reportable by the IRS if the amount is \$600 or more (Form 1099 Miscellaneous). The vendor then can choose to make an outright gift to UVM by writing a check to UVM. This gift amount is completely chosen by the vendor, so it can be more than, less than or equal to the amount of the invoice. This outright gift is fully tax deductible under IRS regulations (see IRS Publication 526).
 - Gift-In-Kind — When a vendor chooses to provide goods or services free of charge (meaning, the vendor does not bill the University with an invoice), this is called a Gift-In-Kind. The vendor provides the University a letter outlining the value of the goods and services donated and the University will provide an acknowledgement to the vendor for the gift-in-kind. Note, while donation of goods are generally tax-deductible, donation of services are generally not tax-deductible. Please see IRS Publication 526 and consult a tax advisor to determine how much of the gift-in-kind, if any, is tax-deductible.

I. Forms and Job Aids

Forms, job aids and related links may be found:

- Development and Alumni Relations Community Intranet
 - <http://alumni.uvm.edu/business/>