Soliciting, Receiving, Recording and Acknowledging Gifts

I. **Purpose**
To establish responsibilities, policies, and procedures for the solicitation, receipt, timely processing, acknowledgement, and expenditure of all cash and non-cash gifts to the University of Kentucky.

II. **Definitions**
- **Charitable Gift Annuity**: A contract between a donor and the University where the donor contributes assets to the University. The University then agrees to pay the donor, or the donor's designee, a fixed amount for a specified period of time, generally until the death of the annuitant. The University can spend the funds donated upon receipt. However, the University remains legally obligated to make annuity payments as required by the contract. The University of Kentucky has elected to establish a gift annuity reserve, or investment account, to provide for annuity payments. Upon the death of an annuitant, the residual value of the reserve transfers to the University and must be spent for the purpose specified in the contract.

- **Charitable Remainder Annuity Trust (CRAT)**: A trust agreement between a donor and the University where the donor contributes assets to the University and the University establishes a separate trust account and serves as trustee of the trust assets. The University then agrees to pay an income beneficiary (the donor or the donor’s designee) a fixed amount, usually 4 – 8% of the original trust, for a specified period of time, generally until the death of the income beneficiary. At the end of the trust period the University distributes the remaining trust assets to the beneficiaries. Generally, the University is the sole beneficiary and the residual assets must be used for the purpose stated in the trust agreement. The amount paid to the income beneficiary is based on the initial gift and no gifts can be added later. Thus, the annuity payment stays constant through the life of the trust.

- **Charitable Remainder Unitrust (CRUT)**: A surrender of funds in exchange for an amount agreed upon, usually 4 – 8% of market value, to be paid to the donor for life. At the end of the trust period the University distributes the remaining trust assets to the beneficiaries. Generally, the University is the sole beneficiary and the residual assets must be used for the purpose stated in the trust agreement. The amount paid is based on the market value of the account as of December 31st of each year. Additional gifts can be received at any time after the initial gift; the terms of annuity payment are usually specified within the original agreement.

- **Endowment Agreement**: An agreement between the University and the donor(s) outlining the purpose and administration of an endowment fund.

- **Endowment Fund**: A fund established with gifts from donor(s), appropriations from the Commonwealth of Kentucky or grants from an agency, with the requirement that they be held and invested in perpetuity to generate annual distributions for support of University programs. Endowment fund may also refer to the collection of individual funds.

- **External Trust**: Charitable trusts set up in an outside financial institution, where the University is the beneficiary of the spending distribution according to the terms and conditions of the trusts. Funds are received quarterly or annually as pre-arranged with the financial institution.
E. OFFICE OF THE TREASURER

Soliciting, Receiving, Recording and Acknowledging Gifts

- **Non-cash Gifts (Gifts in Kind):** Nonmonetary gifts including securities and contributions of personal property such as art, real estate, coin collections, gems/jewelry, books, stamp collections, and equipment.
- **Quasi Endowment:** A fund established by the Board of Trustees with current unrestricted or restricted resources that are otherwise expendable. A quasi endowment fund may be liquidated and returned to operating funds for expenditure with approval of the Board of Trustees. Total return of the fund’s investments is distributed in accordance with the endowment spending policy approved annually by the Board of Trustees.
- **Restricted Gifts:** Funds available for financing current operations, endowments, or capital expenditures, but which are limited by donors and other external agencies to specific expenditure purposes, programs, or organizational units. Funds received in support of specific sponsored projects that benefit the sponsor directly are not considered gifts to the University.
- **Securities:** Financing or investment instruments bought and sold in financial markets, such as bonds issued by corporations or government agencies, shares of corporate stocks and mutual funds.
- **Unrestricted Gifts:** Funds available for financing current operations, but which are not limited by donors to specific expenditure purposes, programs, or organizational units.
- **Term Endowment:** A fund established by an external donor or other outside party with the requirement that the principal be held and invested until the passage of a specified period of time or the occurrence of a particular event. Total return of the fund’s investments is distributed in accordance with the endowment spending policy approved annually by the Board of Trustees.
- **True Endowment:** An endowment fund established by an external donor or other outside party with the requirement that the principal be held and invested in perpetuity. Total return of the fund’s investments is distributed in accordance with the endowment spending policy approved annually by the Board of Trustees.

III. Responsibilities

A. The Vice President for Development shall coordinate efforts to solicit major gifts with the President, Provost, appropriate executive vice president, dean, chair or director.

B. The Office of Development shall:
   1. Coordinate gift-related activities including capital fund campaigns, estate and planned giving programs, donor relations, annual giving programs, and donor communication and recognition programs;
   2. Coordinate the development of endowment agreements with donors in accordance with Section IV.D below;
   3. Receive, process, and acknowledge all gifts from private sources in compliance with Internal Revenue Service regulations;
   4. Determine, in consultation with the Office of the Treasurer, if the funds received are gifts rather than payments for goods or services and ensure that gifts are credited to the correct fund accounts;
   5. Maintain the documentation for all gifts received including endowment agreements, letters, annual giving cards, copies of checks, etc.;
   6. Coordinate gifts for research with the Office of Sponsored Program Administration (OSPA), and other appropriate offices when the gift requires: a. Use of human subjects (see AR 7:4);

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b. Use of animals *(see AR 7:5)*;
c. Use of radioactive or hazardous materials *(see AR 6:3)*;
d. Allocation of University space; or
e. Preparation of a detailed budget to be submitted to the donor; and

7. Provide an annual report to OSPA on the total amount of gifts received for research.

C. The Office of Development will coordinate the management and disposition of real property donated to the University with the Real Property Division.

D. The Office of the Treasurer shall
   1. Coordinate gift and endowment accounting as requested by the Office of Development or departments;
   2. Coordinate the liquidation of donated securities;
   3. Administer charitable trusts and gift annuities; and
   4. Provide financial reporting in accordance with University policies.

E. The University college, department, program or affiliate benefitting from the gift shall:
   1. Manage expenditures from restricted gifts and endowment fund distributions in accordance with the limits imposed by the donors and other external agencies, and
   2. Reconcile gifts received to the University’s accounting system in accordance with [E-17-6 Reconciliation and Review of Financial Transactions](#).

IV. Policy

A. Any gift exceeding $400,000 must be accepted by the Board of Trustees. The President may accept pledges and gifts in cash or in kind up to the amount or value of $400,000. The President is authorized to accept gifts in excess of $400,000 when the President deems acceptance a matter of urgency, provided that all such pledges and gifts, after acceptance, are reported regularly to the Board of Trustees.

B. The University will utilize gifts only for the purpose stated by the donor in compliance with regulations, restrictions, or limitations imposed by donors providing such funds.

C. The minimum level for endowment Funds and categories of endowment funds are established by [Administrative Regulation 8:4](#).

D. All endowment gifts must be accompanied by a signed endowment agreement. The endowment agreements should follow the templates provided by the Office of Development for the type of endowment being established. These templates include mandatory language and elements but can be customized as appropriate when special circumstances warrant. The Office of Development must be consulted on material changes in the agreement’s terms early in the discussions with the donor.

E. Endowment agreements must identify or clarify the following matters:
   1. Identification of the donor;
   2. Amount of the gift, including payment schedule if the gift will not be paid in full at the time of executing the gift agreement, and description of any condition or contingency to payment;
   3. The purpose of the endowment to be created;
   4. Statement that the endowment will be administered in accordance with the investment and endowment spending policies of the University;
   5. Criteria for, and allocation of, spending distribution;
6. Whether a pledged sum is intended to be binding on the donor and enforceable against the donor's estate;
7. Options in the event of inadequate funding to support the stated purpose;
8. In the case of long-term endowment gifts with a donor deceased or unavailable, clarification on authority of the Board of Trustees to approve a closely-related purpose if the original purpose becomes obsolete or precluded because of changes in the law or other good cause; and
9. Any endowment pledge of $1 million or more must be binding upon the estate of the donor.

F. All gifts for deposit to the University must be made payable to the University and managed in accordance with Business Procedures Manual E-2-1 Treasury Operations Manual.

G. No member of the administration, faculty or staff shall form, or assist in forming, any entity, corporate or otherwise, for the purpose of soliciting or receiving any gift, without prior written approval of the Office of Development.

H. No member of the administration, faculty or staff shall establish any account in a banking institution into which gift funds are, or may be, deposited.

I. Due to specific Internal Revenue Service regulations and case law regarding private inurement, University employees cannot donate to funds over which they have expenditure authority.

V. Gift Receiving and Depositing Procedures
Gifts of cash or check and documentation of in-kind gifts (goods or services) received by a college, department, program or affiliate of the University must be hand delivered to the Office of Development within 24 hours. Any additional information that identifies the purpose of the gift and the donor’s intent for use must also be delivered to the Office of Development to assist in preparing the University's IRS gift acknowledgement letter and to ensure the gift is credited to the correct cost object or fund account. Information about the gift must also be communicated to the College Business Officer. Whenever the gift is in the amount of $100 or more, a letter of appreciation from the chair, director, dean, Provost, or Executive Vice President should be sent to the donor.

A. Gifts of cash or check
1. The development officer or department representative must prepare a cash transmittal form in accordance with BPM E-2-1 Treasury Operations Manual, Section II and forward the transmittal with the gift to the Office of Development, providing the name and address of the donor, solicitation code, if applicable, and a note regarding any special handling required for the acknowledgement.
2. The Office of Development must deposit each gift to the appropriate University cost object or fund account in keeping with the donor's designation and as instructed by the business officer or other appropriate representative from the department or University activity for which the gift is intended.
3. If the gift is to be deposited to a new cost object or fund account, the development officer must forward the pertinent information to the business officer for the designated unit. The business officer will submit the required information to the Office of the Treasurer through the appropriate area fiscal office for creation of a new cost object as outlined in Section VII.
4. All cash transmittals depositing gifts to restricted discretionary fund accounts and new donations to any restricted account must be supported
with a copy of the donor's letter stating the purpose of the gift. Deposits must not be made to any restricted cost object or fund account without the donor's letter or a fully executed endowment agreement. If a gift intended for a special purpose arrives in the Office of Development, that office shall obtain from the unit for which the gift is intended the appropriate cost object or fund name and number, deposit the gift, and prepare the official gift acknowledgement letter on behalf of the University, per IRS regulations.

5. The Office of Development will enter the gift and all relevant information on a permanent, confidential donor's gift record maintained by the Office of Development and send an electronic daily report listing all donors to the development officer and budget officer, or designee, of the University unit involved for every gift and pledge received.

6. All gifts for research that are not a sponsored project or of a contractual nature that are processed by the Office of Sponsored Projects Administration shall be receipted and recorded by the Office of Development as described above.

7. The University office benefitting from the gift shall present a request for an expenditure authorization to the University Budget Office for the approval of the Board of Trustees in order that expenditures can be processed against the gift fund.

8. Requests by donors for information as to the contributed value or market value of fund(s) they have established with the University shall be forwarded to the Office of Development for a reply.

B. Non-Cash Gifts and Gifts in Kind

1. Securities
   a. The Office of Development will provide donors with information on the transfer process for securities.
   b. Any physical securities received by a college, department, program or affiliate of the University, should be delivered to the Office of Development the same or next day of receipt to establish date of gift for valuation purposes. Information on a gift of securities including donor's gift envelope and a copy of all of the donor's correspondence should be forwarded with the securities. The Office of Development will then deliver the securities to Endowment Services in the Office of the Treasurer.
   c. The Office of the Treasurer will send the securities for endowments or operating gifts to the investment custodian and will send securities for trust and annuity or planned giving programs to the trust and annuity administrator.
   d. The valuation of the gift will be provided to the Office of Development by the Office of the Treasurer the next business day.
   e. The Office of the Treasurer will immediately initiate the liquidation of gifts of securities unless specifically directed otherwise by the donor or the Office of Development.
   f. The Office of the Treasurer will credit the receiving endowment or gift account once the securities have been liquidated and the funds are available.
      1) For gifts of securities traded in the public markets, an average of the high and low trading price on the date of receipt will be used to value the gift.
2) For gifts of securities not traded in the public markets in excess of $5,000, the donor is required to provide a qualified appraisal of the security in accordance with federal tax regulations.

g. Any difference between the actual proceeds and the market value of the securities on the date of receipt will be borne by the University. However, if a donor places liquidation restrictions on the gift that require the University to hold the security for an extended period of time, any difference between the actual proceeds and the market value on the date of receipt will result in an adjustment to the receiving gift account.

h. A copy of all transaction details will be provided to the Office of Development. A Daily Deposit Notification (DDN) report will then be provided by the Office of Development to the beneficiary unit to confirm receipt and recording of the gift.

2. Other Non-Cash Gifts Including Real Property

a. The Office of Development should be consulted regarding the acceptance of other non-cash gifts prior to acceptance of the gift. The Office of Development will consult with the appropriate University office, such as the Equipment Inventory Office, regarding acceptance of the gift.

b. Prior to acceptance of real property, an environmental assessment, title search and metes and bound survey shall be performed by Real Property. Further, gift instruments between the University and a donor should include a clause stipulating that the acceptance of real property is subject to the results of an environmental assessment, title search and metes and bound survey to be performed by the Real Property Division.

c. If it is determined that the non-cash gift will be accepted by the University, all documentation regarding the gift should be forwarded to the Office of Development. Documentation should include:

1) A completed Deed of Gift in Kind form;
2) The donor’s name and address;
3) A written statement from the donor about the item(s) being donated, its monetary value, and the purpose for which it is being donated; and
4) A copy of the acknowledgment letter from the college or department thanking the donor for the gift.

d. If the estimated fair market value of the contribution is less than or equal to $5,000 per item or group, the donor may state the value of the gift without a qualified appraisal.

e. If the estimated fair market value exceeds $5,000 per item or group, the donor shall, in accordance with Internal Revenue Service regulations, have the item(s) appraised by a qualified, independent appraiser. The Office of Development shall prepare the IRS Form 8283. IRS regulations stipulate the qualified appraisal must be made no earlier than 60 days before the date the property is contributed. Additionally, the University requires that the appraisal be performed by an MAI (Member of Appraisal Institute) appraiser in order to comply with state regulations. A qualified appraisal must include the following information:

1) A description of the property in sufficient detail for a person who is
not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed;

2) The physical condition of any tangible property;

3) The date (or expected date) of contribution;

4) The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale, or other disposition of the donated property, including, for example, the terms of any agreement or understanding that:
   a) Temporarily or permanently restricts a donee's right to use or dispose of the donated property;
   b) Earmarks donated property for a particular use; or
   c) Reserves to, or confers upon, anyone (other than a donee organization or an organization participating with a donee organization in cooperative fundraising) any right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property.

5) The name, address, and taxpayer identification number of the qualified appraiser and, if the appraiser is a partner, an employee, or an independent contractor engaged by a person other than the donor, the name, address, and taxpayer identification number of the partnership or the person who employs or engages the appraiser;

6) The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education, and any membership in professional appraisal associations;

7) A statement that the appraisal was prepared for income tax purposes;

8) The date (or dates) on which the property was valued;

9) The appraised FMV on the date (or expected date) of contribution; and

10) The method of valuation used to determine FMV, such as the income approach, the comparable sales or market data approach, or the replacement cost less depreciation approach.

f. The specific basis for the valuation, such as any specific comparable sales transaction. For gifts of real property except for Charitable Trusts or Gift Annuities

1) The Office of the Treasurer will credit the receiving gift account and record a real estate investment for the fair market value of the gift as soon as legal title to the gift property has been transferred and an appraised value has been established. Eventual liquidation of the property will provide the funds for the gift and enable the reversal of the real estate investment.

2) Any difference between the amount realized upon liquidation and the appraised value of the property on the date of receipt will result in an adjustment to the receiving gift account.
3) All costs incurred by the University prior to taking title to the property will be reimbursed to the University from the sales proceeds of the property, reducing the ultimate credit to the receiving gift account. These “pre-title” costs include appraisals, title searches, environmental testing, surveys, etc. Pre-title costs will be accounted for in a Real Property receivable account.

g. For gifts of real property donated to fund Charitable Trusts or Gift Annuities
1) Prior to liquidation of real property donated to fund a charitable trust or gift annuity, the University can begin making quarterly trust or annuity payments to the donor based on the annuity payout rate applied to the fair market value of the property on the date of receipt.
2) In order for trust or annuity payments to be made prior to sale of the property, a transfer of funds equal to the fair market value of the property must be made from the University’s general fund to the trust or annuity fund by establishing a due to/due from. These funds will be transferred to the University’s external trust and gift annuity manager for investment. Upon sale of the property and receipt of the proceeds, the general fund will be reimbursed by reversing the due to/due from.

VI. Endowment and Gift Agreements
A. Development officers will work with the donor to draft an endowment or gift agreement using the templates provided by the Office of Development.
B. Draft agreements will then be sent to the Office of Development for review to ensure that all required and relevant information is included. If necessary the Office of Development will work with the development officer to reconcile and document specific needs of the University and the wishes of the donor.
C. Once the agreement has been approved by the Office of Development it will be circulated for approval and signatures in the following order:
   1. University Legal Counsel
   2. Vice President for Development
   3. Treasurer (for endowed funds only)
   4. College Dean/Program Director
   5. Donor
   6. President
D. The Office of Development will track the document throughout the review and signature process. Once all signatures are obtained, a hard copy of the agreement will be sent to the responsible development officer to obtain the donor’s signature and to return to the Office of Development to obtain the President’s signature.
E. Final signed copies shall be provided to the development officer to be sent to the donor(s). An electronic copy of the agreement shall be sent by the Office of Development to:
   1. Vice President for Development
   2. Director of Gift Receiving
   3. Office of the Treasurer – General Accounting
   4. Director of Stewardship
   5. Development officer
   6. Business officer

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VII. Establishing Endowment Funds and Related Cost Centers
A. The business officer shall complete an Endowment Fund Creation Request Form and a Cost/Funds Center Create Form. These forms shall be forwarded with a copy of the signed and completed endowment agreement to the Provost Budget Office for approval. Once approved, the Provost Budget Office will forward the completed and approved documents to Endowment Services.
B. Endowment Services will review the forms and then forward to General Accounting for review and entry into SAP.
C. General Accounting will notify the business officer and the Provost Budget Office of the new fund and cost center numbers once they're assigned.
D. Endowment Services will maintain copies of the documents related to an endowment fund, including the agreement, the account create forms, and any subsequent accounting forms.
E. A cost/fund center may only receive distributions from one endowment fund. Further, operating and capital gifts may not be recorded to cost centers receiving endowment distributions. If a donor wishes to provide annual support to supplement the spending distribution, a separate cost center must be established by the budget officer to deposit this revenue.

VIII. Fundraising Events
A. The following procedures must be adhered to prior to public dissemination of material for a fundraising event.
   1. The purpose of the fundraising event and the program, endowment, research or scholarship to receive the proceeds from the event must be clearly defined.
   2. A cost center must be established for each fundraising event prior to receiving any gifts or contributions.
   3. A budget must be established to include anticipated revenues and expenses.
   4. If the Fundraiser includes receipt of goods or services by a donor attendee, the fair market value of donated goods or services to be received in return for purchase of a ticket to the event must be identified.
B. Invitations to a fundraising event shall state the fair market value of the benefit to be received by the attendee donor (i.e., the quid pro quo amount) and shall indicate the amount paid by the donor that exceeds the value of the benefit received.
C. Sponsorship of an event may qualify as a gift. Contact the Office of Development –Gift Receiving for more information.
D. All gifts received will be processed in accordance with the procedures outlined in Business Procedures Manual E-2-1 Treasury Operations Manual. Acceptance of credit cards for fund raising events must be coordinated with the appropriate business officer and the Office of the Treasurer.
E. Silent Auctions
   1. Items donated for the purpose of a silent auction at a fundraising event will be acknowledged as a non-cash gift only if the item is sold. Documentation on the gift and the amount the item was sold for shall be submitted to the Office of Development.
   2. Services offered by an individual or business shall not be acknowledged as a gift by the Office of Development.
F. The Office of Development shall send the donor acknowledgement of the donation per the procedures outlined in above.
G. Proceeds from a fundraising event must be forwarded to the Office of Development with a cash transmittal that indicates the deposit information and accounting, including cost centers and general ledger accounts, for the funds.
   1. The gift portion and quid pro quo amount from each ticket should be separately recorded in the fundraising cost center using the appropriate general ledger accounting codes.
   2. Funds received from internal sponsors should be separately recorded in the fundraising cost center using the appropriate accounting codes. Internal funds will not be recorded as a gift by the Office of Development.

H. Discretionary expenditures related to a fundraising event must follow the procedures outlined in E-7-10.

I. After all the fundraising event expenses have been paid, funds remaining in the fund raising event cost center from quid pro quo funds may be transferred to the beneficiary account. Documentation for the gift and quid pro quo amounts should be submitted to General Accounting with the transfer request.

J. Funds received from internal sponsors cannot be transferred to a gift or endowment fund but can be used to pay fundraising event expenses.