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(s), 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 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) (with the University serving as trustee)**: A trust agreement between a donor and the University where the donor contributes assets to the trust and the University, as trustee, establishes a separate trust account and manages the trust assets. The trust pays an income beneficiary (the donor or the donor’s designee(s)) a fixed amount, usually 4 – 8% of the original trust assets, for a specified period of time, generally until the death of the income beneficiary. At the end of the trust period, the trust 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 to the trust later. Thus, the annuity payment stays constant through the life of the trust.

- **Charitable Remainder Unitrust (CRUT) (with the University serving as trustee)**: A charitable trust similar to a CRAT, but with an amount agreed upon, usually 4 – 8% of market value, to be paid to the donor for life or a term of years. At the end of the trust period the trust 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 distributed is equal to the amount of the remaining trust assets after all income payments and other administration expenses are satisfied. Additional gifts can be received by the trust at any time after the initial gift; the terms of the unitrust payment are 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.

- **Non-cash Gifts (Gifts in-Kind):** Nonmonetary gifts including securities, life insurance contracts and contributions of personal property such as art, real estate, coin collections, gems/jewelry, books, stamp collections, and equipment.

- **OOP:** Office of Philanthropy

- **OT:** Office of the Treasurer

- **Private Business Use:** The use of tax-advantaged bond financed property (including property financed with tax-exempt bonds or build America bonds) in a trade or business carried on by a person other than a state or local government entity.

- **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 Philanthropy shall coordinate all efforts to solicit charitable gifts to the University with the President, Provost, appropriate executive vice president, dean, chair or director.

B. The OOP 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. Process and acknowledge all gifts from private sources in compliance with Internal Revenue Service regulations;
4. Determine, in consultation with the OT, 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);
   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
   f. An annual report to be provided to OSPA on the total amount of gifts received for research.

7. Coordinate with the OT when a facility is financed with tax-advantaged debt and the facility, or any portion thereof, will be named after an individual or company in exchange for a gift, either under an agreement or by the goodwill of the University. The OOP will need to supply the Assistant Treasurer with all documentation related to the gift, including the amount of the gift and the purpose, so it can be determined whether or not the arrangement gives rise to private business use and should be tracked appropriately for post-issuance compliance purposes.

8. Coordinate the management and disposition of real property donated to the University with the Real Property Division, Office of Legal Counsel, and other appropriate units

D. The OT shall:
   1. Coordinate gift and endowment accounting as requested by the OOP 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 one million dollars 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 one million dollars. The President is authorized to accept gifts in excess of one million dollars 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. An endowment gift made by a donor during his/her lifetime must be accompanied by a signed endowment agreement. The endowment agreement should follow a template provided by the OOP for the type of endowment being established unless otherwise approved by the Vice President for Philanthropy and the Treasurer of the University. The endowment agreement templates include mandatory language and elements but can be customized as appropriate when special circumstances warrant. The OOP 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 OOP.

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

I. Due to specific IRS 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 received by a college, department, program or affiliate of the University must be reported to the OOP within 24 hours. Any information that identifies the purpose of the gift and the donor’s intent for use must also be reported to the OOP 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 unit business officer. If a gift meets the criteria outlined in Section III.B.7. above, the OOP will coordinate with the Assistant Treasurer to determine if the arrangement gives rise to private business use by supplying all documentation related to the gift. Whenever the gift is in the amount of one hundred dollars or more, a letter of appreciation from
Soliciting, Receiving, Recording and Acknowledging Gifts

the chair, director, dean, Provost, or Executive Vice President should be sent to the donor. The letter of appreciation should not specify the amount of the gift.

A. Gifts of cash or check

1. The unit philanthropy representative or business officer must prepare a cash or check transmittal form in accordance with BPM E-2-1 Treasury Operations Manual, Section II and forward the transmittal with the gift to Treasury Services. A full copy of the gift deposit to include legible copies of all checks and additional information that identifies the purpose of the gift and donor’s intent for use must be sent to the OOP by email to giftstouk@uky.edu. Supporting documentation may include the name and address of the donor, solicitation code, if applicable, and a note regarding any special handling required for the acknowledgement. See BPM E-2-11 for more information should the cash gift exceed $10,000.

2. The OOP will make a record of each gift to the appropriate University cost object or fund account in keeping with the donor's designation and as instructed by the unit business officer or other appropriate representative from the department or University activity for which the gift is intended and issue an official letter of acknowledgement to the donor on behalf of the University.

3. If the gift is to be deposited to a new cost object or fund account, the philanthropy officer/philanthropy representative must forward the pertinent information to the unit business officer for the designated college, department, program or affiliate of the University. The unit business officer will submit the required information to the OT through the appropriate area fiscal office for creation of a new cost object as outlined in Section VII.

4. All gifts deposited 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. The OOP will review the donor’s letter stating the purpose of the gift and shall obtain from the college, department, program or affiliate of the University 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 OOP will enter the gift and all relevant information on a permanent, confidential donor's gift record maintained by the OOP and send an electronic daily report listing all donors to the philanthropy officer/philanthropy representative and budget officer, or designee, of the college, department, program or affiliate of the University 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 OOP 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 OOP for a reply.

B. Non-Cash Gifts and Gifts in-Kind
1. Securities
   a. The OOP 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 OOP 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 physical securities. The OOP will then deliver the securities to General Accounting in the OT.
   c. The OT 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 OOP by the OT the next business day.
   e. The OT will immediately initiate the liquidation of gifts of securities unless specifically directed otherwise by the donor or the OOP.
   f. The OT 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 five thousand dollars, 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 OOP.
   i. The OOP will enter the gift and all relevant information on a permanent, confidential donor’s gift record maintained by the OOP and send an electronic daily report listing all donors to the philanthropy officer/philanthropy representative and budget officer, or designee, of the college, department, program or affiliate of the University involved for every gift and pledge received.

2. Other Non-Cash Gifts Including Real Property
   a. The OOP should be consulted regarding the acceptance of other non-cash gifts prior to acceptance of the gift. The OOP 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 bounds survey shall be performed by the Real Property Division or a third-party consultant. 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 bounds survey to be performed by the Real Property Division or a third-party consultant.
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 OOP. Documentation should include:
   1) A completed Deed of Gift in-Kind form or other Gift Agreement (contact the OOP at (859)257-3911 for a copy of this form);
   2) The donor’s name and address; and
   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.

d. If the estimated fair market value of the contribution is less than or equal to five thousand dollars per item or collection of similar items, the donor may state the value of the gift without a qualified appraisal.

e. If the estimated fair market value exceeds five thousand dollars per item or collection of similar items, the donor shall, in accordance with IRS regulations, have the item(s) appraised by a qualified, independent appraiser. IRS regulations stipulate the qualified appraisal must be made no earlier than 60 days before the date the property is contributed. Additionally, the University may require 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, subject to governing IRS Regulations, as amended:
   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 fair market value on the date (or expected date) of...
Soliciting, Receiving, Recording and Acknowledging Gifts

E. OFFICE OF THE TREASURER

contribution; and

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

11) The specific basis for the valuation, such as any specific comparable sales transaction.

12) The University will acknowledge receipt of the gift and whether the gift will be used for a related use on IRS Form 8283, “Non-cash, Charitable Contributions.” The best practice is for Form 8283 to be prepared by the Donor and signed by the Donor’s appraiser prior to signature by the University.

f. For gifts of real property except for Charitable Trusts or Gift Annuities:

1) The OT 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.

e. 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. Philanthropy officer/philanthropy representative will work with the donor to draft an endowment or gift agreement using the templates provided by the OOP.

B. Draft agreements will then be sent to the OOP for review to ensure that all required and relevant information is included. If necessary, the OOP will work with the philanthropy officer/philanthropy representative to reconcile and document specific needs of the University and the wishes of the donor.

C. Once the agreement has been approved by the OOP it will be circulated for approval and signatures in the following order:

1. University Legal Counsel
2. Vice President for Philanthropy
3. Treasurer
4. College Dean/Program Director
5. Donor
6. President

D. The OOP 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 philanthropy officer/philanthropy representative to obtain the donor’s signature and to return to the OOP to obtain the President’s signature.

E. Final signed copies shall be provided to the philanthropy officer/philanthropy representative to be sent to the donor(s). An electronic copy of the agreement shall be sent by the OOP to:
1. Vice President for Philanthropy
2. Director of Gift Receiving
3. OT – General Accounting
4. Director of Stewardship
5. Philanthropy officer/philanthropy representative
6. Unit Business officer

VII. Establishing Endowment Funds and Related Cost Centers
A. The unit 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 or the University Budget Office, whichever is the appropriate office for the college or area, for approval. Once approved, the Provost Budget Office or the University Budget Office will forward the completed and approved documents to General Accounting.
B. General Accounting will review and approve the forms and enter the data into SAP.
C. General Accounting will notify the unit business officer and the Provost Budget Office or the University Budget Office of the new fund and cost center numbers once they're assigned.
D. General Accounting 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 OOP–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 unit business officer and the OT.

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 OOP.
   2. Services offered by an individual or business shall not be acknowledged as a gift by the OOP.

F. The OOP shall send the donor acknowledgement of the donation per the procedures outlined above.

G. Proceeds from a fundraising event must be forwarded to the OOP 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 OOP.

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

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.