

UC SAN DIEGO GIFT ACCEPTANCE AND PROCESSING ONLINE HANDBOOK

UC San Diego Gift Acceptance and Processing Handbook

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UC San Diego Gift Acceptance and Processing Handbook

Mission of Gift Administration

The mission of the UC San Diego Office of Gift Acceptance and Policy Administration ("Gift Processing") is to serve the campus departments, development community and the University of California Office of the President ("UCOP") as the delegated authority to accept, record, and receipt all charitable contributions to UC San Diego and the UC San Diego Foundation. Gift Processing is also responsible to ensure the integrity of gift data recorded and stored in its donor database for the purpose of donor, departmental, and institutional reporting.

Unit Overview

Gift Processing is a part of the External and Business Affairs- Advancement Services unit. Gift Processing is delegated the authority by UCOP and the Chancellor to serve as the office of gift acceptance and administration for the UC San Diego campus as well as for the UC San Diego Foundation. No other Campus department may officially accept private gifts.

The work performed by the Gift Processing includes:

- Receiving, formally accepting, and depositing gifts in accordance with IRS Regulations and UC Policy
- Analyzing, coding and entering gifts into the donor database
- Adding new donor profiles and updating existing profiles with new or updated gift and biological data based on gift documentation
- Recording pledges and pledge payments
- Reviewing and processing corporate matching gifts
- Processing credit card gifts and telemarketing generated pledges
- Issuing donor receipts and pledge reminders
- Setting up new gift funds
- Allocating gift monies to the University IFIS Fund Accounting System
- Providing gift data to the UC San Diego Foundation for its Blackbaud Fund Accounting System
- Processing gift corrections and adjustments
- Reporting all [Private Support](#) given to the campus for the year and for campaigns

Gift Guidelines and Policies

UC San Diego Gift Processing follows a number of written policies re: the acceptance of gifts.

These policies are:

- UC Development Policy and Administration Manual
- UCOP Policies and Delegation of Authority
- UC San Diego Foundation Policies and Guidelines
- CASE Management Reporting Standards
- UC San Diego Policy and Procedure Manual:
 - 1) Classification of awards from Private Sources- PPM 150-35
 - 2) UC San Diego Gift Fee Policy- PPM 410-3
 - 3) UC San Diego Naming Policy – PPM 410-4
 - 4) Endowed Chairs and Professorships- PPM-230-8
 - 5) UC San Diego Assessment of interest earnings – PPM 410-10
- IRS regulations
- Other legal and ethical considerations

Gift Definition

The legal definition of a gift is a contribution that is donative in intent, given voluntarily and without expectation of consideration, for which, in general, no contractual or grant requirements are imposed. Gifts are normally awarded irrevocably. There are two general types of gifts, restricted and unrestricted. **Restricted gifts** are to be used for a specific purpose as agreed to by the donor and the University. **Unrestricted gifts** can be used at an administrator's discretion to meet the needs of the unit. Any gift can be made to either a current or endowed fund.

The governing document for UC San Diego for classification of an award from a private source, including a gift, is UC San Diego - PPM 150-35.

Gifts to The Regents and to the UC San Diego Foundation

Gifts to the University create scholarships and fellowships, expand academic programs, fund groundbreaking research, support faculty recruitment and retention, enhance patient care, construct new buildings and provide a pool of flexible funds to help UC San Diego meet its highest priority needs.

Gifts solicited on behalf of UC San Diego belong to either of the following two legal entities:

- ♦The Regents of the University of California (Tax Id number: 95-6006144)
- ♦The Campus Foundations – UC San Diego Foundation (Tax Id number: 95-2872494)

Both are recognized [charities](#) with tax-exempt status from the IRS.

The UC Board of Regents is logistically incapable of raising funds for all UC campuses. Therefore, they approved the establishment of campus foundations which could more effectively fundraise for the unique needs of each campus.

There are various administrative and donor relations advantages to be considered in directing a donor's gift. In particular, the UC San Diego Foundation is geared to handle high volume (many gifts solicited for the same purpose.) The Regents are primarily geared to handle one time gifts, particularly those for current expenditure.

Examples of gift types that may be directed to The Regents or to the UC San Diego Foundation are:

The Regents

- ✓ Current use gifts that are made one-time and will be expended immediately
- ✓ Gifts-in-kind to be held by a Department and not sold
- ✓ Real Estate (not to be sold)
- ✓ Previously established Regents Funds
- ✓ Fellowships with a named Fellow and an application process: funds really belong to the Fellow
- ✓ Endowment Gifts

The UC San Diego Foundation

- ✓ Current use ongoing gifts with balance maintained over period of years
- ✓ Annual Benefits/Solicitations
- ✓ Fundraising/Events (gifts with quid pro quo)
- ✓ Gifts-in-kind (to be sold)
- ✓ Planned/Deferred Gifts (Lead Trusts, Life Estates, Gift Annuities & Charitable Remainder Trusts)
- ✓ Real Estate to be sold
- ✓ Other appreciated assets
- ✓ Previously established Foundation funds
- ✓ Endowed gifts
- ✓ Most gifts for capital projects

Gift Acceptance

Gift acceptance is a two-step process involving the benefitting department and UC San Diego's Advancement Services, each having shared responsibility and authority for ensuring that gifts are reviewed and accepted according to University guidelines. Departmental approval is the statement that the department wants the gift and agrees to its terms. University (formal) acceptance is a delegated authority to accept gifts on behalf of The Regents or the UC San Diego Foundation. Formal acceptance is an action by an authorized official to take title to a tendered gift.

UCOP has designated Advancement Services (formally "External Relations- IT & FS") as the office to accept and process gifts at this campus and only certain personnel in Advancement Services have the delegated authority by UCOP and by the Foundation to accept charitable gifts.

Delegation of Authority for Gift Acceptance:

- Over \$5 Million: UC President
- Up to \$5 Million: Chancellor
- Up to \$1 Million: VC - External and Business Affairs
- Up to \$500,000: AVC - Development
- Up to \$500,000: AVC - Health Sciences Development
- Up to \$250,000: Director - Advancement Services
- Up to \$100,000: Deputy Director - Advancement Services
- Up to \$25,000: Manager, Gift Processing

NOTE: All gifts made to the UC San Diego Foundation follow the same delegation of authority.

Documenting a Gift Tender

Gifts can be given in a number of different ways. These are:

- Cash, Checks and Money Orders
- Wire Transfers
- Credit Cards
- On-line Giving
- Electronic Funds Transfer
- UC San Diego Employee Payroll Deduction
- Gifts In-Kind
- Matching Gifts
- Planned/Deferred Gifts
- Bequests
- Real Property
- Securities
- Intellectual Property

Cash, Checks, and Money Orders

Gifts made by cash, check, or money order are accepted by either the UC Regents or the UC San Diego Foundation.

Gift Processing usually relies on both the manner in which the gift was solicited and the payee on the check or money order to determine how a gift is processed. For example, a check made payable to "UC San Diego" or "UC Regents" would be processed through The Regents. A check made payable to "UC San Diego Foundation" would be processed through the Foundation.

If the check is endorsed to one entity but the designated fund resides in the opposite entity, Gift Processing coordinates with the UC San Diego Foundation accounting staff to transfer gifts to the appropriate fund. It is important that donors make their checks payable to the correct entity, so solicitation literature should state clearly whether the payee should be The Regents or the UC San Diego Foundation (for more on what information should be included on a solicitation – go to [Gift Processing FAQ](#))

Gifts are often received directly by the department benefitting from the gift. It is critical that the gift, along with the gift documentation, be forwarded to Gift Processing as quickly as possible to avoid the possibility of lost gift or the check becoming void due to a stale date. Checks can be forwarded to Gift Processing through inter-campus mail or by direct delivery. Once received by Gift Processing, checks are deposited with the Campus cashiers office within 24 hours of delivery.

UC San Diego occasionally receives gifts of foreign currency primarily in the form of checks. These gifts are recorded in the donor database at the dollar conversion figure on the day of deposit. The UC San Diego Cashiers office sends these checks to an outside agency for collection. It can take up to three weeks to receive the final converted value. Once the final settlement value is received by Gift Processing, an adjustment is made to the donor record for the final gift value. Checks drawn on foreign banks but paid in U.S. funds do not qualify as foreign currency and can be treated as U.S. funds drawn on domestic banks.

Do not send cash gifts by campus mail ! Sound internal control practices and University policy governs cash handling. Essentially, cash must always be handled

for safekeeping, which means it is **never** to be transmitted to Gift Processing by mail services or inter-campus mail.

All cash must be temporarily stored in a locked safe place, and transported to Gift Processing regularly by personal delivery.

Wire Transfers

Wire transfers are used by many donors to make gifts to the University. Banks provide minimal information on wire transfers. If you are coordinating a wire transfer for an existing fund, you can avoid administrative delays by ensuring that your donor is properly instructed to wire the gift either via The Regents or the UC San Diego Foundation. Gift Processing will then notify the appropriate contact in the Business Financial Systems accounting department or UC San Diego Foundation Accounting Manager so they can inform us when the wire is received.

Please advise the donor to ask that the wire include the following identifying information:

- Name of the donor
- Name of the fund
- Fund number
- Contact name at the University

UC Regents

If the gift is intended for a **UC Regents** fund, please contact Sandra Stewart, Manager of Gift Processing at X44493, for the specific wiring instructions.

E-mail Bankwires@ucsd.edu and Sandra Stewart, Manager of Gift Processing at sstewart@ucsd.edu to say you are expecting an electronic fund transfer. Include the information above, along with:

- Timing of payment
- Purpose
- Accounting information

UC San Diego Foundation

If the gift is intended for a **UC San Diego Foundation** fund, please contact the UC San Diego Foundation Accounting Manager, at X21679, for specific wiring instructions.

If you are unsure whether the gift should be wired to the Regents or to the UC San Diego Foundation, contact the Manager of Gift Processing at X44493. When inquiring about a wire, please be sure to provide the following information:

- Donor name
- Amount of wire
- Date of wire

Credit Cards

Gifts may be charged to a donor's credit card. Credit cards may be charged by Gift Processing or by campus departments with merchant accounts. UC San Diego accepts VISA, MasterCard, American Express and Discover Card.

UC San Diego as a whole must comply with the Payment Card Industry (PCI) data security standard ([see Blink Home>Finance>Accepting Credit Cards; Overview for Departments](#)). If a donor returns a solicitation or remit advice to a department with their credit card information, the department should immediately forward the

information to Gift Processing in a sealed envelope through campus mail or contact Gift Processing to arrange to send it via fax. If the department keeps a copy, the credit card number must be redacted. Credit card information is **not** entered into the donor's record in our donor database nor does Gift Processing keep the credit card number on file. Once the donor's card is charged, the credit card number is redacted by Gift Processing. If a credit card is declined, Gift Processing will alert the department for their follow-up with the donor. Also, if a donor requests a refund for a gift after 30 days has past (UC San Diego's credit card vendor keeps the credit card information on file for 30 days), Gift Processing will request that the department contact the donor to obtain the credit card information.

On-line giving

Donors can also make a credit card or an electronic fund transfer (EFT) gift online through a secure gift form by clicking the ***Giving to UC San Diego*** link on the bottom of the UC San Diego home page. Online gifts can be made to either to The Regents or to UC San Diego Foundation funds.

Electronic Fund Transfers (EFT)

Donors may also set up monthly gifts via electronic fund transfers arranged through their bank and Gift Processing. If a donor returns a solicitation or remittance advice with the request to make periodic payments via EFT, the department should contact Gift Processing. Once set up by Gift Processing, the recurring withdrawal continues until the donor advises Gift Processing to stop or until the account is closed.

UC San Diego Employee Payroll Deduction

UC San Diego employees can chose to give gifts via payroll deduction. A payroll deduction form needs to be completed by the employee and then forwarded to Gift Processing. Gift Processing will then work with UC San Diego payroll department to set up the deduction.

Gifts-in-Kind

Gifts-in-kind are gifts of assets that are non-monetary in nature and are either 1) to be kept and retained by the UC San Diego or 2) to be sold and/or disposed of or 3) items to be used in fundraising or for incentives.

1) Gifts-in-Kind to be kept and retained by the UC San Diego

Gifts-in-Kind donated for related educational and research purposes are generally processed through The Regents (the UC San Diego Foundation does not have the infrastructure to inventory and maintain these gifts). Gifts-in-Kind are recorded at their [fair market value](#) as determined by an appraiser or under certain circumstances by an appropriate department official. The University requires physical possession of the Gift-in-Kind to effect the asset transfer. The date of gift is based on both the date the deed is signed and the date the possession of the item is accomplished.

Sometimes the gift agreement for the Gift-in-Kind will contain indemnity language or state that the Gift-in-Kind must be accepted with no warranties. Examples of such terms are: "disclaimer of all warranties", "title and risk of loss" and "indemnification". In the case of accepting Gifts-in-Kind with these types of disclaimers, expanded due diligence must be performed and clearance must be obtained from UC San Diego's Environment, Health and Safety Office to ensure that misuse of the equipment or equipment failure could not present a safety hazard **before** the Gift-in-Kind can be accepted.

Departments should inform Gift Processing when Gifts-in-Kind are received and/or sold. In addition to a gift letter and UDEV-100, Gifts-in-Kind valued in excess of \$500

should be accompanied by a deed of gift and the fair market value as determined by the donor.

The IRS and the University require that Gifts-in-Kind valued at more than \$5,000 also have an independent appraisal provided by the donor. If the donor is also the maker of the item, the donor may provide the value of the gift without providing an appraisal by an outside agency. However, the donor should provide the [educational discount value](#) and not the retail value for this purpose.

2) Gifts-in-kind to be sold or disposed of by UC San Diego

Gifts-in Kind of fine art, real property and other appreciated in-kind assets must be valued and subject to a number of detailed due diligence processes. Generally, Gifts-in-Kind to be sold are usually directed to the UC San Diego Foundation. If the processes are not complete, the Gift may not be accepted.

3) Gifts-in-Kind: Donated items for use in fundraising or incentives

The campus holds a number of galas and fundraising events each year. Both UC San Diego and the UC San Diego Foundation recognize and record donated items for campus fundraising efforts as Gifts-in-Kind.

Often times, [auctions](#) and [raffles](#) (or opportunity drawings) are held during these events. Items donated for auctions or raffles can range from certificates for a "Day at a spa", a haircut, artwork, jewelry, and surfboards (for the annual Cancer Center Luau) to company products and services.

Additionally, departments will occasionally solicit donated certificates for meals or beverages (pizza, Burger King, Starbucks, etc.), as incentives for volunteers or student workers.

In order to correctly record the fair market value of these gifts, as well as correctly record the tax-deductible gift for the purchasers of items sold at auctions, Campus and IRS guidelines must be followed. If the donated item represents services (or labor) of the individual giving the gift or could be interpreted as "lost income" to a company, they are not considered a gift for IRS purposes and may not be recorded as a gift. Examples of these types of items would be certificates or gift cards for food and beverages given by the restaurant/company - like a Starbucks gift card given by Starbucks or a certificate for a free pizza given by Dominos. Because these are considered lost income to the company they are not a gift. Still, they can be used as a "give away" or auction item.

The IRS also does not allow the individuals giving the gift to deduct their labor as a donation. Only the out of pocket costs incurred by the donor could be considered as a gift in kind. For example, a painting donated by the artist would only be deductible to the extent of the out of pocket expenses the artist paid for the materials.

Gifts-in-Kind given for raffles

If a Gift-in-Kind with a FMV of \$5,000 or higher is given for a raffle (opportunity drawing), there are tax withholding rules that must be followed. Essentially, the IRS requires the organization holding the raffle to withhold 28% of the FMV of the item and submit it to the IRS. An appraisal will be needed as well.

Due to the IRS tax withholding rules, we discourage raffling of large items. We would need to make sure that before the gala solicitation materials are mailed, the value of the item can be verified and that the participants of the raffle understand before the event that they must pay the tax at the event and fill out tax forms with their

personal information i.e. Social Security. We would then collect the payment at the event and submit it to the IRS.

For all Gifts in Kind:

- Donors of gifts of \$500 or more must also file [IRS Form 8283](#) with their federal income tax returns. As a courtesy, Gift Processing completes and mails this form to donors with the gift receipt.
- The University is required to file [IRS form 8282](#) when a Gift-in-Kind in excess of \$500 is sold within two years. When this form is filed by Gift Processing, a copy is also sent to the donor.

If a donor is considering giving a Gift-in-Kind and has questions, contact the Deputy Director of Advancement Services at X20715 for guidance.

Last, if your department is considering holding a Raffle, please read "Raffles and Opportunity Drawings" under "Other Topics" on this website.

Matching Gifts

Matching gifts are donations received from a donor's employer as a supplement to the donor's gift. For receipting and tax purposes, matching gifts are credited to the corporation or foundation making the match; however, the donor receives soft credit for the gift (see [Gift Credits](#)). Gifts matched to a Regents fund are processed through The Regents. Gifts matched to a UC San Diego Foundation fund are processed through the UC San Diego Foundation. Go to the [Gift Processing FAQ- Matching Gifts](#) page for more information about matching gifts.

Planned or Deferred Gifts

A planned or deferred gift is a donation to the University to be transferred according to a schedule determined by the donor. These contributions are made to the University through [charitable lead trust](#), [charitable remainder trusts](#), [charitable gift annuities](#), [pooled income funds](#), or similar vehicle, and can be processed through the UC San Diego Foundation or The Regents. For more information on planned gifts, visit the website for the Office of Planned Giving in Advancement Services at: <http://www.plannedgiving.ucsd.edu> or contact the office via email at plannedgiving@ucsd.edu.

Bequests from Estates

A bequest is a donation given through an individual's will (e.g., personal property, cash, non-monetary items). If your department is contacted by a lawyer or an individual wishing to include UC San Diego in a will or trust or to advise you that a deceased person has named UC San Diego, please have her/him contact the Office of Planned Giving in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Real Property

Gifts of real estate, including land, buildings, and other improvements, and oil, mineral, and related rights, are accepted on a case-by-case basis. Outright gifts of real estate are counted at their fair market value on the date of gift. Gifts of real property to The Regents or the UC San Diego Foundation must be approved before acceptance. **NOTE: A gift of Real Property requires a great deal of due diligence to be completed before it can be accepted.** The campus is responsible for negotiating gifts of real property with the donor and reviewing the property title, value, and potential for the existence of hazardous substances. To begin the process, please contact the Office of Planned Giving in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Securities/Bonds

Gifts of securities that consist of a certificate(s) of ownership of stocks or bonds are recorded at the average of the high and low price as published by the exchange on the date of the gift. Gifts of securities can be accepted by either The Regents or the UC San Diego Foundation. Donors are advised of how UC San Diego calculated the value of their securities gift; however, it is the donor's obligation to determine the valuation for tax purposes.

Donors should not endorse the back of stock certificates. Separate stock power forms should be used. If your donor is considering a gift of securities, contact the Office of Planned Giving in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Intellectual Property

Gifts of intellectual property are very complex and may require the involvement of other campus offices. If you have a donor interested in a gift of intellectual property, contact the Gift Processing Office immediately.

Anonymous Gifts

Any gift can be given with the request by the donor that it be anonymous. Requests for donor anonymity should be made in writing at the time of the donation. When a donor wishes to be "anonymous", it is critical that a clear understanding exists as to what that really means for purposes of recording the gift.

Anonymity can take two forms in UC San Diego's donor database:

- a. Anonymous can mean that a donor does not wish their gift to be acknowledged in a press release or "published" in any other manner. In this case, the donor is not anonymous in the database, but the gift receives an "anonymous" flag.
- b. Anonymous can also mean the donor wishes to be completely anonymous and that no one be able to track their name. In that case, the actual record in the donor database is set up as anonymous, and only a number is assigned. No names or other information exist in those records. This, of course, makes the record difficult to find, unless the record number is known.

In both cases, reports run by UC San Diego's Advancement Services staff will reflect the gifts as anonymous in the name field. However, it should be noted that in item (a) above, any user of the donor database will be able to determine who gave the gift.

UC San Diego will not intentionally disclose any information regarding any anonymous gift unless the donor provides permission or as required by law or a court ruling.

When the gift receipt is ready to mail:

- A Gift Processing staff member manually types on the receipt, "Processed as an anonymous gift."
- Receipts are mailed in a non-window envelope addressed to the donor.
- Reports to UCOP (major donors, etc.) list the donor as "anonymous."

If the gift was made to The Regents, when allocating an anonymous gift to the UC San Diego Operating Ledger, the donor name is omitted and substituted with the words "anonymous donor."

Pledges and Pledge Payments

Pledges and pledge payments can be processed through either The Regents or the UC San Diego Foundation. The definition of a pledge is a written promise to pay a specified amount of money upon an agreed schedule. Pledges are generally considered to be ethically binding on the donor making the donor making the pledge. Pledges may be paid in a single payment or in installments.

In order to assure that the donor's purpose is understood and followed, a signed pledge letter which has been properly documented in a gift agreement and accepted by the campus is required. Verbal commitments will not serve as appropriate documentation for pledges. A letter confirming the donor's commitment must be prepared and signed by the donor.

All pledges must include a commitment to a specific amount and a payment schedule. Pledges may be paid over a period of years in annual, semiannual, quarterly, or monthly installments, with payments to begin at the donor's convenience. If a pledge to The Regents has a payment schedule beyond five years, only the first five years of payments will be recorded as a pledge with the remaining value of the future payments recorded as a [pledge potential](#) in the donor database. Only the first five years of payments will be reported as Private Support. Pledges to the UC San Diego Foundation with pledge schedules beyond 5 years (for example pledges to be paid from the estate of the donor or testamentary pledges) are recorded by the Foundation; however, are presented at their [Net Present Value](#) on the Foundation's Financial Statements.

The payment schedule should be included in a properly documented pledge agreement schedule and provided to Gift Processing when the pledge is reported so that appropriate pledge reminders can be generated. Pledge payments may be made by cash, check, securities, or credit card. Pledge reminders will be mailed on an agreed-upon schedule unless the donor requests otherwise.

Pledges can either be conditional or unconditional. Conditional pledges are promises to give in the future if certain circumstances or criteria are met. For example, a donor may make a pledge which states, "I promise to give \$1 million to the University, if the University breaks grounds on a new Science Building no later than June 2010." This type of pledge is not common and, in accordance with [CASE](#) or [NACUBO](#) reporting standards, is not recorded in the donor database until the criteria are met.

Unconditional pledges are not contingent upon specific criteria and are made more frequently than conditional pledges.

Pledges from Individuals paid by Donor Advised Fund or Private Foundation

Specific regulations apply if a donor wishes to make a pledge or a pledge payment through [a donor advised fund](#) or [private foundation](#). A donor who has made a gift to a donor advised fund or a private foundation has entrusted that separate entity with the authority to use the contribution to fulfill a charitable purpose. The donor receives an income tax charitable deduction *at the time they make the gift to the fund or foundation*. Consequently, when the respective entity makes a gift to the campus, even if made on the recommendation of the donor, the gift comes from the fund or the foundation, **not** from the donor.

A problem can arise if the contribution from the foundation is intended to fulfill the donor's legally binding personal pledge obligation to the campus. This violates the rule against "[self-dealing](#)" - which prohibits a "disqualified person" (including a donor to the foundation) from receiving a private benefit from the transactions of the foundation. Violation of the rule will subject the donor and possibly the foundation to a fine.

It is important that fundraisers working with donors clarify whether the donor anticipates fulfilling all or a part of the pledge agreement with a payment from a community foundation or a private (family) foundation. If this is the case, the donor should execute only an "intention" agreement as a notification and not a legally binding pledge agreement.

When a check is received from a donor advised fund or a family foundation, Gift Processing will record the check as a gift from the donor advised fund. The donor's outstanding intention will be written down by the amount of the payment. Gifts from these entities are counted as gifts from the donor advised fund or foundation itself, and the individual donor who originally made the gift to that charity (and their spouse or partner if applicable) will receive a soft credit for the gift.

Other types of Charitable Transactions

Fellowships

Fellowships are awards that enable individuals to pursue study in their fields or to introduce them to related fields. Although not consistently defined, some sponsors place the emphasis on contribution to the individual's own scholarly development. A fellowship often advances, synthesizes, or enlarges the applicant's special area of interest. Or, it may enable the recipient to study in a different area which will extend his or her competence. The salary support provided by a fellowship may be referred to as a stipend. Fellowship types may include Research Fellowship; Training Fellowship; or Traineeship. Fellowships may be considered gifts or grants, depending upon terms and conditions.

Sponsorships

Sponsorships come in two forms:

- 1) A "Qualified Sponsorship" is considered a gift. This classification is applicable when only incidental benefits are returned to a sponsor by the donee entity (the University), such as use of the sponsor's name, logo or products for acknowledgment, or less than 2% in value of goods or services returned to the sponsor, then the sponsorship is a "qualified sponsorship" to the donee entity and is not subject to Unrelated Business Income Tax ("[UBIT](#)").
- 2) When substantial commercial value (generally meaning commercially viable advertising of the sponsor and their products or by virtue of UC San Diego training of sponsor company personnel) is returned to a sponsor by the donee entity, the sponsorship is considered income to the donee entity and advertising or marketing expense to the sponsor. Such income may be subject to UBIT by the donee.

Fundraising Event Underwriting

Event Underwriting is solicited often at UC San Diego and is treated as a charitable gift as long as the value of goods and service returned to the sponsor are less than the amount of the underwriting. It serves to cover event or activity costs for a

fundraising event. Some benefits, in the form of event tickets, etc, may be provided in return to the underwriter, as quid pro quo, and will be receipted accordingly.

Grants and Contracts

Grants and Contracts are written agreements between two organizations where one organization provides funds or other forms of support in exchange for research or other services. Grants and contracts are the primary vehicles used to fund faculty research projects. The University enters into agreements with many different organizations, including private nonprofit foundations, private corporations, the State of California, the federal government, and other governmental entities. The University of California itself also acts as a sponsor by distributing intra-University funds to support research, teaching, and public service. Unlike gifts, grants and contracts impose terms and conditions on the campus, and can be revoked if the campus fails to abide by them.

Note: The governing document for classification of an award from a private source is UC San Diego - [PPM 150-35](#).

Additional considerations for classifying Gifts versus Grants and Contracts

The decision to classify funds as a gift, grant, or contract cannot be made solely on the presence or absence of a single characteristic but rather the agreement taken as a whole. There also may be additional elements, such as a termination clause or restrictions on how funds can be spent, which determine whether the funds are classified as a gift rather than as a sponsored project.

The sponsor's intent must also be considered. Are the funds being provided to scientifically advance a discipline or is the sponsor procuring a specific piece of work and expects something in return for their support?

Gift Valuation

The valuation and recording of gifts is dictated by the regulations of the IRS. The simple rule is that gifts are valued at their fair market value (FMV). However, there are a variety of details that apply, depending on the gift given. Valuations for marketable stock gifts are calculated at the average of the high and low published price on the date of the gift. The IRS requires an appraisal for Gift-in-Kinds valued over \$5,000.00. The appraisal must be done by a qualified appraiser, and paid for by the donor independent of UC San Diego.

Gifts-in-Kind, including Planned Gifts, require a great deal of due diligence in review and investigation prior to the gift being accepted.

If you have a question regarding gift valuation, contact Kathy Terry, Deputy Director – Advancement Services at keterry@ucsd.edu for further guidance and help.

Tax Deductibility of Gifts

Most gifts are made without the donor receiving anything in return. However, some gifts include both a gift portion and a payment for the value of goods or services returned to them. This is called [quid pro quo](#) and is essentially defined as the fair market value ("FMV") or "value received" (you get what you pay for).

The fair market value of an item is defined as what would have been the cost of an item to any normal purchaser of that item.

Federal law and IRS regulations require that the tax deduction for the amount paid be limited to the gift portion. Therefore the fair market value of the quid pro quo must be calculated. In most cases, the University is required to notify the donor of the FMV of the item on the gift receipt.

Special Events usually provide goods or services to attendees i.e meals, entertainment, drink, valet, music, etc. The cost of providing these items to UC San Diego is not necessarily a measure of the FMV, especially if these costs were underwritten. UC San Diego must still disclose the FMV of the benefits, which is NOT a tax deductible gift.

There are, however, a number of exceptions whereby no reduction in the charitable gift is required. The major relevant exceptions are membership fees, de minimus benefits and "low cost" articles.

One of the basic rules is called the 2% rule. The IRS rules state that if a benefit is provided in return for a gift and that benefit is valued at not more than 2% of the amount gifted-*to a maximum value of \$95*-then the benefit is considered insubstantial. However, the maximum amount does not apply if the 2% of the donation is exceeded.

Example:

A donor buys a ticket at an event for \$250 and the value of the dinner is estimated at \$50. Because the value of the dinner (\$50) is 20% of the ticket price (over 2%), the insubstantial rule does not apply. This covers most events at UC San Diego and we rarely have had an event where the benefits were insubstantial.

A second rule applies to gifts in value up to \$47.50. If "token items" such as a mug or T-shirt are given to the donor AND they do not cost more than \$9.50, then cost of these items will be considered insubstantial.

For membership's benefits: Two types of benefits received in exchange for a payment of \$75 or less can be disregarded. First, if free admission to membership events is offered and the cost to the charity is less than the token item amount of \$8.90 (note "token amounts" are adjusted for inflation annually). Second, if the benefit is a right or privilege that can be exercised frequently during the membership period and if the benefit is offered to all members regardless of the contribution level.

The IRS issues a Revenue Procedure every year which can revise the minimum thresholds for these rules.

Benefit exclusions can be confusing. We recommend you contact the Deputy Director of Advancement Services at X20715 if you have questions regarding exceptions.

Gift Fees

Per UC San Diego (PPM) #410-3, the University assesses a 6% gift fee on all gifts processed either through The Regents directly or through the UC San Diego Foundation. Gift fees are assessed on cash gifts or gifts converted to cash received in the fund. These fees are used to fund a portion of the UC San Diego External Affairs budget. External Affairs is the UC San Diego division responsible for fundraising, university communications and public affairs, and relations with donors, alumni, local and state governments.

Most public and private universities have a type of gift fee. However, it is sometimes not clearly disclosed to the donors or may be labeled as something else. UC has taken a position of transparency and does not try to hide this fee from donors.

There are very few exceptions to the gift fee. The gift fee policy only permits the waiver of the fee in one case: fellowships awarded to registered graduate students that are based upon individual applications for research awards and post education training, that can move with the awardees, and where the awardee is determined by the awarding entity. In other words, this exemption is meant for money that a graduate student seeks out, "wins" and then brings to UC San Diego for their use only.

Waiving the fee is not permitted by policy and to do so would create an inequity for all other gifts received by UC San Diego that are just as important. That said, the benefitting department can cover the fee internally which is a common solution when the department or donor stipulates they do not want a gift fee taken from the gift.

Gift Funds

All gifts and pledges received by either The Regents or the UC San Diego Foundation are designated to either an existing gift fund or to a new fund set up to support the purpose of the gift.

Fund Accounting Rules require all gifts with a similar purpose to be allocated to the same fund. New funds are only created when a unique purpose cannot be attributed to an existing fund.

Gift Processing will set up a new gift fund when a gift is received and there is no active fund that has the same restrictions as those put on the gift by the donor. A request to set up a new fund may come from a department, from a development officer, or after working directly with a donor.

Gift funds are either Current funds or Endowment funds. Both funds are held by either The Regents or the UC San Diego Foundation.

CURRENT FUNDS

- Current funds are funds that can be **spent** for the purpose designated by the donor
- Once expended, the fund is closed
- Current funds earn interest but the interest is swept by the campus

New Foundation Current Use funds

A new Foundation current use fund can be established prior to receiving any gifts. If the request is initiated by a department or by a development officer, a [UC San Diego Foundation Fund Information Sheet](#) should be completed and sent to Gift Processing, along with a copy of gift instrument (gift letter, solicitation piece) stating use of funds, if available.

The minimum gift level to open up a **current use** gift fund with the UC San Diego Foundation is \$1,000. If the initial gift is less than \$1,000, a written explanation stating why the requestor believes the gift level will exceed \$1,000 and when (timeframe), should accompany the fund information sheets.

New Regents Current Use funds

All Regents gifts must have a completed Gift Acceptance Form ("[UDEV-100](#)") (plus any additional supporting documentation) to be processed. Requests to open new Regents **current use** funds are most often made by checking "Request new IPFOPAL" in **Box 16** of the UDEV- 100.

Sometimes an existing fund can be used with a new index (which can be assigned by the department). Before opening up new fund, Gift Processing will contact the department to determine whether an existing fund for the designated purpose of the donation can be used.

If a new gift fund needs to be opened, Gift Processing will set up a new fund number in IFIS and then set up the new Regents fund in the donor database.

Current Funds that may convert to Endowments at a later date

Often times a current fund will be opened with the intent of converting to an endowment fund once a certain funding level is reached. In this case, a written solicitation to donors or copy of a public notice explaining this intent should accompany the new fund set up sheets. This is important as it must be documented that the donors understood that the purpose of their gift could change over time. If there is no proof that donors were advised of this change, at the point of the requested conversion, donors will need to be contacted in writing and advised of the intended conversion. This lengthy and complex process would be the responsibility of the department or development officer requesting the change and can be avoided by proper notification to the donors when the fundraising efforts are first initiated.

MEMORIAL FUNDS

A memorial gift is a charitable contribution made in memory of a deceased individual. At UC San Diego, in most cases memorial gifts are received through the Moores Cancer Center, Alzheimer's Disease Research Center, etc. to honor an individual that died as a result of a disease. The department benefitting from the "In Memory" donation will send the appropriate acknowledgement to the surviving family member. There is usually no need to open up an additional fund as an existing campus unit fund can accommodate the various donations. However, a separate memorial fund can be established when a charitable contribution is made to honor deceased alumni, faculty, students, doctors or other persons, and to assist the school, department, or program with which the deceased was affiliated.

If a new memorial fund is requested, the family may have a specific use in mind and name the fund accordingly such as "The John Triton Memorial Scholarship Fund for Undergraduate Engineering Students". The fund may be restricted to a particular department or field of study, used at the Chancellor's discretion, or used to support student aid and the fund may be replenished with annual gifts from the decedent's family or friends.

In choosing whether the new fund should be a Regents or UC San Diego Foundation fund, we recommend that a Regents fund be set up if the funds will be utilized for research as soon as they are received and there is no plan to create an endowment or expectation of reaching the \$10,000 endowment minimum threshold. For restricted endowments other minimum dollar amounts may apply and we recommend use of the UC San Diego Foundation.

If the family wishes to solicit gifts for a new memorial fund, the fund can be included in the obituary with the following wording:

"In lieu of flowers, donations can be sent to the "**John Triton Memorial Scholarship Fund**" at University of California, San Diego, 9500 Gilman Drive #9040, La Jolla , CA 92093-0940".

To establish a memorial fund, contact Gift Processing with the following information:

- The name of the deceased, class year and/or affiliation to the University.
- The name, address and telephone number of the individual or other family representative to receive notification of gifts received and determine fund designation.
- Whether the intention is for the fund to eventually become an endowment.
- The purpose/use of the fund.
- A copy of the obituary, if available.

ENDOWED FUNDS

- Endowments Funds are held and invested in **perpetuity**
- The principal is never spent to ensure growth and long term funding
- Endowments require special gift language
- Endowment Spending Policies allow for spending some of the *annual return*. This "spending" is then made available to the Departments

Endowment terms

Endowments are set up and implemented based on the agreement (or "terms") that is established between the University and the donor. The agreement contains legal stipulations: 1) the original gift may never be expended, 2) the gift(s) are held and invested in perpetuity by The Regents of the University of California and the UC San Diego Foundation for the purpose of generating a permanent expendable income stream from the return on the gift, and 3) that the gift will be used for the purpose the donor desires. For sample gift agreements for endowed gifts see [Gift Agreements](#).

Endowment Fund Guidelines for Regents and the UC San Diego Foundation

The Regents and the UC San Diego Foundation essentially follow the same guidelines for establishing new endowment funds.

There are differing minimum levels required to open an endowment.

Because of the cost of fund administration in relation to projected annual endowment income, a standard minimum of \$10,000 is necessary to establish a new endowment in The Regents or the UC San Diego Foundation.

For **endowed chairs**, the standard minimum amount of a gift or gifts required to establish the chair is \$500,000.

However, in certain academic areas the minimum to establish a chair is higher as follows:

- The Jacobs School of Engineering - \$750,000
- UC SAN DIEGO School of Medicine - \$2,000,000

The UC San Diego Policy and Procedure governing minimum gift levels- UC San Diego- [PPM-410-4](#) -"Policy and Guidelines for Minimum Gift Levels and Naming Opportunities", is being updated and should not be used as a reference for determining the minimum acceptable gift level for endowments. UC San Diego [PPM-](#)

230-8, "Endowed Chairs and Professorships", was issued in 2003 superseding PPM-410-4, and should be referred to when determining minimum gift levels to establish an Endowed Chair.

While these are the minimum levels required, the department or development officer working directly with the donor(s) should consider whether the projected annual endowment income, both now and in the future, would be sufficient to fulfill the donor's intended purpose.

FUNDS FUNCTIONING AS ENDOWMENTS (FFE)

A fund functioning as an endowment, also called a quasi-endowment, may be created by a gift or bequest when a donor does not instruct either that the gift be expended in its entirety or held as a true endowment. In such cases, UC San Diego may, acting in its own discretion, decide to create a fund functioning as an endowment in which the funds are invested in the same manner as if they were subject to the terms of a true endowment, with the crucial distinction that the University may at any time decide to withdraw all or part of the corpus of the fund and expend it for the purpose designated by the donor.

Due Diligence Process for Gift Acceptance

There are several processes to determine whether or not a gift should be accepted and processed. The most fundamental review is this: Does it meet the legal definition of a gift – is there charitable intent or is this a business deal? If so, will it benefit UC San Diego and does a department or benefitting unit desire it? UC San Diego and the UC San Diego Foundation will refuse gifts that do not conform to certain standards. These include gifts with little or no value but a great deal of management or due diligence, or gifts that will, by nature, contradict the reputation of the university, or cause a conflict of interest with UC San Diego regulation, policies, or research.

All Gifts must be processed by UC San Diego Gift Processing because Gift Processing is responsible for:

- Reporting all Private Support given to the campus for the year and for campaigns
- Processing and receipting donors in accordance with IRS Regulations and UC Policy

Review of Gifts and Gift Instruments during Gift Negotiation

Many significant gifts are negotiated over a period of time. During that period, the gift agreements are reviewed and critiqued by Gift Processing and the Director of Advancement Services, as well as many others, prior to finalizing them with the donor. This includes endowed chair and most other endowed gifts, major fund raising event solicitations, major capital initiative gifts, real and tangible property gifts, and other planned gifts such as trusts. The gift agreements used by UC San Diego and the UC San Diego Foundation have been standardized and disseminated to Development Officers for use.

All gifts are reviewed for adherence to the minimum gift standards in place at UC San Diego and by UCOP. All real and tangible personal property gifts, as well as trusts and other planned gifts are specifically handled by Planned Giving and subject to intense due diligence. This is done to ensure that the gift is made legally, that either UC San Diego or the UC San Diego Foundation are receiving something of significant value, and that it is worth the time and effort of managing or handling the gift to maturity or disposition. This includes legal reviews of trusts, rate negotiation

on payout, and elaborate calculations of tax deductibility. It includes obtaining clear evidence of title, of marketability, and of value for gifts of real and personal property. For real property, it also includes in depth reviews for hazardous waste and potential liability.

Upon receipt of an Outright Gift or a Pledge

A thorough review of the gift by Gift Processing takes place when gifts and gift documents are received in the mail directly, or from a campus department. This review includes reading and analyzing all documents to ensure compliance with UC Regents and/or Foundation policy and IRS regulations. We look for charitable intent, and the absence of consideration. Reviews are made to determine how the gift was solicited, whether there are terms and conditions (thereby possibly making it a grant or contract), and whether the language in the gift documentation allows for recording the gift. For instance, to record a pledge in our donor database there must be a written donor letter, and it must include the statement that is it "irrevocably pledged", include a date certain for payment or payments. We must have confidence the donor is known and that payment is likely.

Gift Documentation and Handling

Gift Processing must have the following documents in order to process a gift to either the UC Regents or the UC San Diego Foundation:

- A gift letter from the donor, or solicitation letter sent to the donor (required for all gifts over \$10,000). NOTE: If there is not a gift letter, clear written evidence that a gift was intended must be present
- A form of tender (check, credit card, title of property, delivery of Gift-in-Kind, stock transfer) (unless it is only a pledge)
- A University or Foundation fund number the gift may be placed in, or a request for a new gift fund if none
- Economic Interest Statement (form [700U](#)) from the faculty member if the gift is over \$500, and designated to a named individual for research
- A completed Health Vendor form signed by the department chair if the gift is from a UC San Diego health vendor

If the gift is to a Regents fund or designated to The Regents, in addition to the documentation noted above, the department should also complete and send

- A completed Regents Gift Acceptance form [UDEV 100](#)

In addition to receiving and/or preparing the above documents, the department initially receiving the gift is responsible to:

- Initially classify an award as a gift, fellowship, contract, grant or service agreement in accordance with UC San Diego [PPM-150-35](#)
 - ✓ If the award is classified as a gift or fellowship – forward award with supporting documentation to Gift Processing
 - ✓ If award language is in question, forward to OCGA for final determination of an award classification
- Ensure the gift is made to the correct legal entity (The Regents or the UC San Diego Foundation)
- Review check to ensure it is not stale-dated
- Make sure check is complete with signature by maker
- If gift received at calendar year end, save and send the envelope with postmark to Gift Processing with the gift documentation
- Prepare and mail a timely department acknowledgement
- Ensure gift documentation is complete

- Upon receiving the award do not hold the gift but forward it to Gift Processing on a timely basis

Allocation and reallocation of gifts

Sometimes a gift is received where the donor has not designated the campus, purpose, or type of fund. This happens most often with bequests. If a donor does not provide all information necessary for administration of a gift or bequest (i.e., the location, purpose, and type of fund, as defined herein), the University will determine the necessary terms. If a bequest is received by the Office of Planned Giving in Advancement Services with incomplete gift language, it is forwarded to Gift Processing for gift allocation.

The Chancellor may allocate and reallocate gifts and bequests up to \$5,000,000 received by The Regents and the UC San Diego Foundation. This is the same amount delegated for solicitation and acceptance of gifts and grants and for expenditure for capital projects. Gifts and bequests to The Regents and to the UC San Diego Foundation exceeding \$5,000,000 must be submitted to the President for acceptance and allocation, as appropriate.

UC San Diego Gift Processing handles all allocation and re-allocation of gift funds for all departments.

Effective June 2008, the Office of Institutional Advancement at OP opined that gifts under \$50,000 will no longer require allocation memorandums or emails. Gifts within this range will be automatically be transferred to campus or current or plant use that is in compliance with the gift language. Exceptions will be made if the campus requests that the gift be added to an established fund or that a FFE be created.

For gifts above \$50,000 requiring allocation, Gift Processing will work with department and/or development staff to identify the use and type of gift that best meets the donor's intent. If the donor has demonstrated or articulated particular interests, the University practice has been to take those interests into consideration when allocations of the gift are made. The donor's giving history may provide additional guidance as to appropriate allocation. If the University is unable to discern the donor's preference, the University may consult the donor's family members and/or the donor's trustee, attorney, or personal representative. A summary of consultation efforts shall be documented in the gift.

If the donor does not specify the terms of the gift or bequest, the University should give priority to long-term use (endowment, FFE, capital project) when the donation meets the defined minimum for the endowed purpose. Documentation must be supplied in the gift record if the campus decides to expend such a gift for current needs.

Requests for allocation and reallocation of gifts from \$50,000 to \$5,000,000 are submitted from the Dean of the benefitting division to Gift Processing for routing to the Chancellor in the form of a letter ("allocation letter") suggesting a purpose and type of fund (if needed) for the gift and requesting written approval on the letter by the Chancellor. For gifts over \$5,000,000, written requests are submitted from the Chancellor to the Senior Vice President-Academic Affairs (UCOP).

Gift Processing will prepare the necessary correspondence and coordinate with the divisional deans, respective development personnel, the Chancellors office and the Administration Office, Office of the President. The routing of the allocation will be

handled by Gift Processing in order to ensure that the proper delegation of authority is followed.

Upon satisfactory review and approval by either the Chancellor or the Senior Vice President-Academic Affairs (UCOP), respectively, the allocation letter will be returned to Gift Processing. The requesting department is notified immediately upon approval. Gift Processing will continue to work with the department and the appropriate administrative units (Business Financial Services accounting staff, UCOP accounting, or UC San Foundation accounting staff) to complete the allocation or reallocation to a fund.

What Happens to a Gift ?

The Cycle of Processing a Gift

Gifts to The Regents

Once a Regents gift is received and accepted (see Gift documentation and Handling above) by Gift Processing:

- The check is deposited
- The gift is keyed into the donor database
- A receipt/thank you letter is sent to the donor
- The monies are allocated to the University Fund Accounting system once all required gift documents are received and verified. (**Note:** Only after a gift is allocated will the gift show on the Department ledger for spending)
- Back-up information is scanned
- An e-mail notification sent to the Principle Investigator and Business Officer

Spending Regents Gifts

Once the gift has been allocated it will appear on the department ledger and will be available for spending. Regents gift funds essentially work like any other University fund and can be used for check requests, travel, purchase orders, payroll cost and any other expenditures, ***as long as the expenditure conforms to donor restrictions.***

Gifts to the Foundation

Gifts to the Foundation follow the same steps noted above with the exception of the allocation process. On a monthly basis all Foundation gift information is downloaded from the donor database into the Foundation's accounting system and allocated in the Foundation's Fund Accounting system (for access by Departments).

Spending Foundation Gifts

Foundation gift funds work like savings accounts. Departments request transfers from their Foundation fund by submitting a [Request for Transfer form](#) ("RFF") to the UC San Diego Foundation. Foundation accounting personnel then transfer funds to a linked University fund. Once transferred, the funds are available to departmental personnel to expend in the same manner as other University funds, ***in accordance with donor restrictions.***

Gift receipts for Regents and Foundation gifts

Gift receipts for both Regents and Foundation gifts are sent out by Gift Processing as soon as possible, unless there are funds to be set up, issues with gift documents, issues with the COI, or there are questions as to whether it is a gift or not.

Gift receipts for non-monetary gifts only describes the item given – it does not give a valuation of the gift. Valuation is the responsibility of the donor for tax purposes.

Fiscal Responsibility for Managing Gift funds

As with all UC funds, department fiscal personnel, PI's and lead administrators are responsible for the proper management and oversight of gift funds, whether Regents or Foundation.

Additionally, Departments are responsible for ensuring that there is sufficient cash in a gift fund at all times. Pledges are not allocated and there is not guarantee that a pledge will be paid or that another gift will be made by a donor. Gift funds should never be in deficit.

Responsibility to Steward Gifts

UC San Diego is accountable to donors for the appropriate, ethical, and timely use of all gifts for the purpose(s) for which they were given. Benefitting units should establish prudent methods to ensure timely and appropriate expenditure of gift funds, including endowment payout.

In order to assure that charitable gifts are used appropriately for the highest and best use consistent with the donor's terms, the campus conducts periodic reviews of all individual Regents and Foundation gift funds. The Chancellor, through the office of Advancement Services, conducts an annual review of all funds derived from gifts and bequests, including the annual fund payout distributed from Regents and Foundation held endowments. This review assures the timely and appropriate expenditure of gift funds and documents steps taken to remedy excess accumulation of both endowed fund payout and of current use gift funds.

Conflict of Interest Forms

For both gifts to The Regents and to the UC San Diego Foundation, gifts to research over \$500 may require that a Conflict of Interest ("COI") form ([700U](#)) be completed. See UC San Diego [PPM 200-13](#) to determine when a filing is required, the difference between of a negative versus a positive COI and exclusions to filling.

Gift Credits

There are two main types of gift credit assigned to donors in the donor database. The "Hard", or primary credit, is always given to the legal donor of the gift. The "Soft", or associated credit, may be given to donors *in recognition* of a gift. The application of soft credits can vary by institution; however, there are common guidelines for issuing soft credits among [CASE](#) member institutions which have been adopted by UC San Diego in its donor recognition policies.

- I. **HARD** (primary, legal) - Hard credit is given only to the primary or "legal" donor (donor of record) and is also known as "primary" credit. The primary donor is eligible to claim a tax deduction for the gift. In order to determine the primary donor, Gift Processing looks to the entity/individual that made the gift. Even if a gift is given on "behalf" of a spouse, child, friend, employee, etc., the legal donor is typically the individual or entity that issues the check, holds the credit card, or has legal title to the asset (security, real property, etc.).
- II. **SOFT** (associated) - Soft credit assigns gift credit beyond the donor of record and is also known as "associated" credit. Soft credits are used by institutions for recognition purposes and also to track relationships which may be important for fund-raisers. UC San Diego applies soft credits of equal value to the hard credit for the following:

Spouses: When one spouse gives a gift and the other spouse has a record in the donor database, the other spouse will be given a soft credit.

Community Foundations: Community foundations are locally run public foundations that pool the charitable giving of many donors. Gifts (often called grants) from Community Foundations are hard credited as being from the Foundation itself. However, if the individual donor who originally made a gift to the Foundation recommended the grant, he/she will receive a soft credit. Donor Advised funds are a common conduit of a gift from a Community Foundation.

Donor-advised Funds: Gifts made by a donor-advised fund from another charity are considered to be made by the charitable organization. However, the individual donor who originally made the gift to that charity (and their spouse or partner if applicable) will receive a soft credit for the gift.

Personal and Family Foundations: Personal and Family Foundations are legal entities that have been established to act as a conduit for charitable giving for an individual or for members of a family. Gifts from these entities are counted as gifts from the Foundation itself, with any or all of the family members receiving soft credit for the gift.

Family Trusts: Family trusts are usually discretionary trusts set up to hold a family's assets or to conduct a family business. Gifts made by a family trust will be counted as a gift from the Trust itself, with any or all of the family members receiving soft credit for the gift.

Corporate Principals: A "Principal" (or "Key" employee) of a corporation may play a critical role in helping UC San Diego secure a gift from that corporation. Not all gifts from the corporation will be soft credited to the principal. Only if it is determined that the individual personally influenced or "orchestrated" the gift will they be given soft credit for the gift. Given the discretionary nature of defining a "principal" or "key employee", Gift Processing will not issue a soft credit unless

the Development officer makes the determination and communicates it to Gift Processing at the time the gift transmittal is sent in for processing.

Corporate Matching Gift Program: Many companies have a grant or contribution program that will match employees' or directors' gifts made to qualifying educational, arts and cultural, health or other organizations. Specific guidelines regarding their matching guidelines are established by each employer. Such gifts are credited to the company as the legal donor and a soft credit is given to the donor whose gift was matched.

Independently administered matching gifts: In addition to corporate matching gift programs, many companies use foundations or donor advised funds to administer their matching gift programs. In this case, the hard credit will be given to the foundation (or donor advised fund) and soft credit will be given to the parent company and the donor whose gift was matched.

Fund raising organizations: Gifts from organizations such as United Way are counted as a gift from the organization. The organization often provides a list of individuals whose contribution is included in the amount given. These amounts will be net of the fees taken by the organization and a soft credit will be given for the net amount to the individual.

Examples of Hard and Soft Credits

Payroll Deductions

John Triton makes a gift to UC San Diego through his company's payroll deduction program. The check with the payroll deduction is issued directly from Triton Industries Inc.

- John Triton receives hard (legal) credit for his payroll gift.
- Triton Industries Inc. does not receive credit.

Charitable Gift Funds

John and Sue Triton recommend a gift to UC San Diego through a charitable gift fund they have established with The San Diego Community Foundation.

- The San Diego Community Foundation/John and Sue Triton Fund receive hard (legal) credit and is provided a tax receipt.
- John and Sue Triton receive soft credit for this gift for recognition purposes.

Family Foundation

John and Sue Triton make a direct a gift to UC San Diego through their Family Foundation.

- The John and Sue Triton Family Foundation receive hard (legal) credit and receive a tax receipt.
- John and Sue Triton receive soft credit for this gift for recognition purposes.

Individual/Family Trust (*Donor directing gift is alive*)

Sue Triton directs a gift to UC San Diego through her Family Trust.

- The Triton Family Trust receives hard (legal) credit and receives a tax receipt.
- Sue Triton receives soft credit for this gift for recognition purposes.

Personally Owned Business/Sole Proprietorship

John Triton directs a gift to UC San Diego from his own consulting firm.

- The John Triton Corporation receives hard (legal) credit and a tax receipt.
- John Triton receives soft credit for this gift for donor recognition purposes.

Estate Gift

A. Donor directing gift is deceased.

Sue Triton directs a gift to UC San Diego through her estate (bequest, will, or living trust).

- The Estate of Sue Triton receives hard (legal) credit and a tax receipt.
- Sue Triton receives soft credit for the gift for recognition purposes only if her profile exists on the donor database.

B. Donor directing gift is deceased, but has surviving spouse.

John Triton directs a gift to UC San Diego through his estate (bequest, will, or living trust).

- The Estate of John Triton receives hard (legal) credit and a tax receipt.
- John Triton receives soft credit as well as his wife, Sue, for recognition purposes.

Glossary

Allocation

The administrative designation of fund terms that have not been specified by a donor, such as the location (campus, school, college, etc.) at which the funds will be used, the type of fund (endowment, fund functioning as an endowment, current use), and the purpose for which the funds will be used. See also reallocation.

Auctions

Various campus departments and support groups at UC San Diego conduct auctions at their fundraising events held from time-to-time. The proceeds from these auctions are to be processed through UC San Diego Gift Processing, on behalf of either the UC San Diego Foundation, or the UC Regents.

At most fundraising auctions, a variety of merchandise and services are bid upon by those attending the event. Some of this merchandise is contributed by businesses from their inventory, and the remaining property is given by individuals. Gifts of service may be contributed by both businesses and individuals. Some of the items auctioned could be readily purchased from retail merchants or companies for fixed or suggested retail prices, and thus their market value is easily determinable. Other goods and services to be auctioned, such as works of art, autographed memorabilia, and lunches with dignitaries and other honorees, are more difficult to value.

Every item that is donated be auctioned off should be reported to UC San Diego Gift Processing as a Gift-in-Kind. Additionally, IRS regulations require that a written good faith estimate of the fair market value ("FMV") of each item to be auctioned at a charity event be disclosed to potential auction purchasers prior to, or at the time of bidding for the item. University procedures require that such disclosures be printed in all materials. This is to ensure that all potential purchasers have had adequate disclosure of the value of the items being auctioned. Most sales of auction items are **not** a tax deductible gift. Any amount paid for an auction up to the FMV of the items is considered a sale of goods and services.

Given the need to comply with University procedures as well as confirm to IRS guidelines detailed procedures must be followed by the department hosting the auction. See [Auction Guidelines](#) on the UC San Diego Gift Processing website or further information.

Bequest

A bequest is a sum of money committed to an organization and donated upon the donor's death. There are a number of ways to make a bequest to UC San Diego. For more information on Bequests, contact the Office of Gift Planning in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Campaign

A concentrated effort to solicit funds for a specific purpose over a defined period of time.

CASE

The Council for Advancement and Support of Education (CASE) is the professional organization for advancement professionals at all levels who work in alumni relations, communications, fundraising, marketing and other areas.

The CASE Management and Reporting Standards provide a common set of definitions and procedures for managing and reporting the results of fundraising activities at

educational institutions. These standards have evolved over more than 25 years to reflect changes in the profession.

The standards were designed for educational institutions to benchmark the goals and progress of their development programs against other institutions. In order to make sure these comparisons are meaningful and accurate, these standards are followed when institutions fill out the CASE Survey of Educational Fundraising Campaigns and the Council for Aid to Education's Voluntary Support of Education (VSE) Survey.

UC San Diego, along with other institutions, follow the standards for internal and external reporting purposes because they were developed with broad input from knowledgeable fundraising professionals and are aligned with standard accounting practices and federal reporting requirements.

Charity

In its traditional legal meaning, the word "charity" encompasses religion, education, and assistance to the government, promotion of health, relief of poverty or distress and other purposes that benefit the community. Nonprofit organizations that are organized and operated to further one of these purposes must be recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (See [501\(c\)\(3\)](#)). If so recognized, donors will be eligible to receive a tax deduction for the charitable gift to a charity.

Charitable contribution

For federal income tax purposes, a gift or contribution to, or for the use of, an organization described in Internal Revenue Code IRC 170 (C). At UC San Diego, charitable contributions may be made to "The Regents of the University of California", or to the "UC San Diego Foundation".

Charitable Gift Annuity

A charitable gift annuity is a simple, contractual agreement between a donor in which the donor give assets to UC San Diego in exchange for the promise to pay one or two annuitants payments for life.

By donating through a gift annuity, the donor contracts to receive a fixed payment to the donor and makes a gift to UC San Diego. If the donor itemizes deductions on his/her tax return, savings from the charitable deduction reduce the net cost of the gift.

For more information on Charitable Gift Annuities, contact the Office of Gift Planning in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Charitable Lead Trust

A charitable lead trust is a trust that the donor establishes either during life (an inter vivos trust) or at death (a testamentary trust). The income from the trust flows to a charitable organization, like the University of California, San Diego, typically for a stated number of years. At the end of that time, the remainder of the trust passes to one's heirs.

For more information on Charitable Lead trusts, contact the Office of Gift Planning in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Charitable Remainder Trust

A charitable remainder trust is a legal agreement between the donor and UC San Diego, where the donor will give money, securities or other assets to a trust that will

then pay the donor an income for life or for a period of years. If the donor wishes, the trust also can pay income to other beneficiaries. At the death of the final beneficiary, the remaining balance in the trust goes to the University of California, San Diego.

For more information on Charitable Remainder Trusts, contact the Office of Gift Planning in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Corporate Foundation

A corporate (company-sponsored) foundation is a private foundation that derives its grant-making funds primarily from the contributions of a profit-making business. The company-sponsored foundation often maintains close ties with the donor company, but it is a separate, legal organization, sometimes with its own endowment, and is subject to the same rules and regulations as other private foundations.

Contract is an agreement to procure a product or service with specific obligations for both sponsor and recipient. Typically, a research topic and the methods for conducting the research are specified in detail by the sponsor. These are not charitable in nature and may not be hidden nor disguised as a gift.

Donor Database

UC San Diego's donor database software contains donor biological and as well financial giving information. All [Private Support](#) reporting is run from the database. Access to the donor database is restricted to Advancement Services personal with levels of security access granted to meet the needs of the user.

Donor Advised fund is a charitable giving fund administered by a third party and created to manage charitable donations on behalf of an organization, family, or individual. A donor-advised fund offers the opportunity to create a way for charitable giving as an alternative to direct giving. As the maximum tax deduction is received by the donor at the time of the gift, the third party (in most instances a foundation) administering the fund gains full control over the contribution, granting the donor advisory status. Therefore, the third party is not legally bound to the donor, but makes grants to other public charities upon the donor's recommendation.

Donor Designated Fund

A fund held by a community foundation where the donor has specified that the fund's income or assets be used for the benefit of one or more specific public charities. These funds are sometimes established by a transfer of assets by a public charity to a fund designated for its own benefit, in which case they may be known as grantee endowments. The community foundation's governing body must have the power to redirect resources in the fund if it determines that the donor's restriction is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

Educational discount value

The value UC San Diego would have paid for an item, related to a Gift-in-Kind, had it purchased the item outright from the vendor. The educational discount value is the donation value that may be recorded and reported as the gift.

Endowment

The principal amount of gifts and bequests that are accepted subject to a requirement that the principal be maintained intact and invested in perpetuity to create a source of income for the benefitting department. Donors may require that

the principal remain intact in perpetuity, or for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose.

Fiscal year

For UC San Diego and the UC San Diego Foundation, the fiscal year is July 1 through June 30.

Fair Market Value (FMV)

Fair market value is often an estimate of what a willing buyer would pay to a willing seller, both in a free market, for an asset or any piece of property. If such a transaction actually occurs, then the actual transaction price is usually the fair market value.

Family Foundation

"Family foundation" is not a legal term, and therefore, it has no precise definition. Yet, about two-thirds of the estimated 44,000 private foundations in this country are believed to be family managed. The Council on Foundations defines a family foundation as a foundation whose funds are derived from members of a single family. At least one family member must continue to serve as an officer or board member of the foundation; they or their relatives play a significant role in governing and/or managing the foundation throughout its life. Most family foundations are run by family members who serve as trustees or directors on a voluntary basis, receiving no compensation; in many cases, second- and third-generation descendants of the original donors manage the foundation. Most family foundations concentrate their giving locally in their communities.

Family Trust

A family trust is usually a trust named after the Trust maker. An example would be the **John Triton Living Trust**. A joint trust for a married couple might be called the **John and Mary Triton Living Trust**. Some practitioners call their living trusts "Family Trusts." There is no difference between a living trust and a Family Trust when they are established during the lifetime of the Trustmaker and are revocable trusts. The name "Family Trust" is also used by some practitioners for trusts that are established at the time of death for the benefit of the surviving spouse and children. A Family Trust established at death is not a living trust.

Fellowships are awards that enable individuals to pursue study in their fields or to introduce them to related fields. Although not consistently defined, some sponsors place the emphasis on contribution to the individual's own scholarly development. A fellowship often advances, synthesizes, or enlarges, the applicant's special area of interest. Or, it may enable the recipient to study in a different area which will extend his or her competence. The salary support provided by a fellowship may be referred to as a stipend. Fellowships may be gifts or grants or contract depending upon their terms and conditions. Fellowship types may include Research Fellowship; Training Fellowship; or Traineeship.

Foundation Types

1. **Community Foundation** - Most often a publicly supported organization making grants for social, education, religious, or other charitable purposes in a specific community or region. Funds are derived from many donors and usually are retained in an endowment; income earned by the endowment is then used to make grants. Although some community foundations are designated by the IRS as private foundations, most are classified as public charities eligible for the maximum tax-deductible contributions from the public.

2. **Company-Sponsored Foundation** - A foundation whose funds are derived from a profit-making corporation or company and whose primary purpose is the making of grants. The company-sponsored foundation may maintain close ties with the donor company, but it is an independent organization with its own endowment and is subject to the same rules and regulations as other foundations.
3. **Family Foundation** - An independent private foundation whose funds are derived from members of a single family. Generally family members serve as officers or board members of the foundation and play an influential role in grantmaking decisions.
4. **General Purpose Foundation** - An independent foundation that awards grants in many different fields of interest.
5. **Independent Foundation**- A grantmaking organization designated by the IRS as a foundation. Independent foundations may also be known as family foundations, general purpose foundations, special purpose foundations, or private non-operating foundations.
6. **Operating Foundation** - A fund or endowment designated by the IRS as a private foundation whose primary purpose is to "operate", that is conduct research, social welfare, or other programs, determined by its governing body or establishment charter. Some grants may be made, but the sum is generally small relative to the funds used for the foundation's own programs.
7. **Private Foundation** - A nongovernmental, nonprofit organization with funds (usually from a single source, such as an individual, family, or corporation) and program managed by its own trustees or directors. It is established to maintain or aid social, education, religious, or other charitable activities serving the common welfare, primarily through the making of grants.
8. **Special Purpose Foundation** - A private foundation focusing its grantmaking activities in one or a few special areas of interest.

Funds transfer

A transfer of money from Foundation funds to corresponding Regents funds.

Gift

A contribution that is donative in intent, bestowed voluntarily and without expectation of tangible compensation, for which, in general, no contractual or grant requirements are imposed. Gifts are normally awarded irrevocably. There are two general types of gifts, restricted and unrestricted. Restricted gifts are to be used for a specific purpose as agreed to by the donor and the University. Unrestricted gifts can be used at an administrator's discretion to meet the needs of the unit.

Gift date

The IRS specifies that the date the donor relinquishes control of the asset is the date of gift.

For gifts made by check, and sent through U.S. mail, the U.S. Postal Service postmark serves as the official gift date. For recording and receipting purposes, the date the check is received by Advancement Services is normally used as the gift or credit date. The only exception to this is at year end when the postmark date determines if the gift was made in the current or previous calendar year. For example, if the check is dated 12/27/** and the postmark is 1/04/**, the credit (gift) date would be 1/04/**, and the donor could not claim this as a deduction in the calendar year just ended.

Other rules apply for gifts of securities, personal or real property, gifts made by credit card, and gifts sent to the University via couriers other than the U.S. Postal

Service. For more information on Gift dates, contact the Manager of Gift Processing at X44493.

Gift-in-Kind

Gifts-in-kind are gifts of assets that are non-monetary in nature and are either 1) to be kept and retained by the UC San Diego or 2) to be sold and/or disposed of or 3) items to be used in fundraising or for incentives. Both UC San Diego and the UC San Diego Foundation recognize and record donated items for campus fundraising efforts as Gifts-in-Kind.

Grant

An award that is non-contractual in nature but for which there are terms and/or conditions imposed by the donor. Grants from private (non- governmental) sources are counted as Private Support.

Hard or Primary credit

Refers to how gifts are credited in Millennium. Hard or primary credit goes to the person or entity that is eligible to claim a tax deduction for the gift.

IRS Form W-9

IRS Form W-9 (Request for Taxpayer Identification Number and Certification) is periodically requested by donors or agents of the donor to verify the University's or the UC San Diego Foundation's taxpayer identification number. If you receive a request of this type, please contact the Manager of Gift Processing at X44493 for additional information.

Matching gift

A direct contribution to UC San Diego made by a donor's employer (or the employer of a donor's spouse) to recognize a donor's personal gift to UC San Diego and supplement the employee's contribution to the University. Most matching gift companies match at a 1:1 ratio; for example, a donor's \$500 gift is matched with a \$500 gift from the matching company. Some companies match at other ratios: ½:1 (a \$500 gift is matched with a \$250 gift), 2:1 (a \$500 gift is matched with \$1,000), or 3:1 (\$500 is matched with \$1,500). Many matching gift companies place restrictions on the types of gifts eligible for match and the minimum and maximum amounts matched and have a total eligible annual amount.

Matching Gifts Program

A grant or contributions program that will match employees' or directors' gifts made to qualifying educational, arts and cultural, health or other organizations. Specific guidelines are established by each employer or foundation. (Some foundations also use this program for their trustees.)

Memorial gift

A charitable contribution made in memory of a deceased individual. An acknowledgement will be mailed by the campus to the next-of-kin of the decedent, if that information is provided by the donors.

Overhead

A surcharge assessed to the direct costs incurred on contracts and grants. Also referred to as indirect cost.

NACUBO

NACUBO, or the National Association of College and University Business Officers, represents a collaboration of chief administrative and financial officers. Each year,

NACUBO releases an annual Endowment Study, which covers the latest information on essential aspects of endowment management. The industry standard for evaluating the performance and management of college and university endowments, the NACUBO Endowment Study (NES) represents more than 785 colleges and universities.

Net present value is the value on a given date of a future payment or series of future payments, discounted to reflect the time value of money and other factors such as investment risk.

Pooled Income Fund

Pooled Income funds allow donors to contribute to the pooled income fund for UC San Diego's benefit, where the donor receives an income for the rest of his/her life, as well as a current income tax deduction. Ultimately, the donor's gift becomes UC San Diego's property. For more information on Pooled Income Funds, contact the Office of Gift Planning in Advancement Services at plannedgiving@ucsd.edu or by phone at X42249.

Pledge

A written promise to pay a specified amount of money upon an agreed schedule. Pledges are generally considered to be binding on the pledgor. Pledges may be paid in a single payment or in installments. The payment schedule must be provided to the Gift Administration office when the pledge is reported so that appropriate pledge reminders can be generated from the donor database.

In order to record a pledge, a signed pledge letter which has been properly accepted by the proper campus officials is required. Verbal commitments will not serve as appropriate documentation for pledges. A letter confirming the donor's commitment must be prepared and signed by the donor.

Pledges can either be conditional or unconditional. Conditional pledges are promises to give in the future if certain circumstances or criteria are met. For example, a donor may make a pledge which states, "I promise to give \$1 million to the University, if the University breaks grounds on a new Administration Building no later than June 2010." This type of pledge is not common, and is not recorded in the donor database in accordance with CASE/NACUBO reporting standards. Unconditional pledges are not contingent upon specific criteria and are made more frequently than conditional pledges.

Pledge payment

A payment on an existing pledge. Generally, donors make payments in accordance with the pledge payment schedule. Upon receipt of the payment, the balance due on a donor's pledge will be reduced by the amount of the payment.

Pledge Potential

A pledge potential may be recorded in the donor database to track a pledge that has conditions (conditional pledge) to be met before the pledge terms will be honored by the donor. For example a donor may make a pledge which states, "I promise to give \$1 million to the University, if the University breaks grounds on a new Science Building no later than June 2010." While the pledge can not be recorded in the donor database as a bona fide pledge, recording it as a pledge potential allows for Gift Processing and Development to track to progress towards meeting the conditions. Conditional pledges must be approved by the Director of Advancement Services (formally External Relations-IT&FS) before it is entered as a pledge potential.

Private Support

Private support is defined in the reporting standards established by CASE for reporting all gifts and private grants provided by private entities in support of educational, research and outreach missions. Private support does not include contracts and also does not include gifts or grants from governmental entities.

Public Charity

A public charity, identified by the Internal Revenue Service as "not a private foundation," normally receives a substantial part of its income, directly or indirectly, from the general public or from the government. The public support must be fairly broad and not limited to a few individuals or families. Public charities are defined in the Internal Revenue Code under sections 509(a)(1) through 509(a)(4).

Quid pro quo gift

A gift for which a donor receives value in the form of goods or services in return, such as a ticket for admission to a concert or dinner. The item received is referred to as a premium.

By federal law and IRS regulations, the donor must reduce the amount of the charitable contribution by the fair market value (FMV) of the premium received.

Raffle

A raffle (or opportunity drawing) is generally a contest in which participants purchase a ticket or "chance" at winning a prize. Raffles are conducted by registered charitable organizations and the net proceeds from the raffle must be devoted to a charitable or public service activity or endeavor.

Raffle tickets are not tax-deductible per IRS rules. The IRS' position is that amounts paid for chances in raffles, lotteries or similar drawings for valuable prizes are wagers, and consequently do not qualify as deductible charitable contributions.

Reallocation

Refers to an administrative decision to modify a pre-existing allocation as to location, purpose and/or type of fund, consistent with a donor's terms. Allocations and reallocations may be referred to below as administrative decisions and administrative actions.

Receipt for gifts

By IRS regulations, a receipt must be provided to donors of all gifts valued at \$250 or more. UC San Diego's standard is to receipt all gifts. For gifts of money (cash and check), such receipts are required to show the name of the donee organization, the gift date, the amount of contribution and the donor's intent along with other IRS required disclosures. For a gift of property other than cash, the receipt must show the name of the donee, the gift date, the location of the contribution and a reasonably detailed description of the property given, but not a value for the property.

Gift Processing in Advancement Services is the **only** UC San Diego delegated authority to issue receipts to donors.

Restricted gifts are to be used for a specific purpose as agreed to by the donor and the University. Restricted gifts can be made to either current or endowment funds.

Self-dealing is a legal term used to define the conduct of a trustee, an attorney, or other fiduciary that consists of taking advantage of his or her position in a transaction and acting for his or her own interests rather than for the interests of the beneficiaries of the trust or the interests of his or her clients. A problem can arise if the contribution from a private or community foundation is intended to fulfill the donor's **legally** binding personal pledge obligation to the campus. "Self Dealing" rules prohibit a "disqualified person" (including a donor to the foundation) from receiving a private benefit from the transactions of the foundation. Violation of the rule will subject the donor and possibly the foundation to a fine. It is, therefore, important to fundraisers working with donors to clarify whether the donor anticipates fulfilling all or a part of the pledge agreement with a payment from a community foundation or a private (family) foundation. If this is the case, the pledge agreement should reflect language noting that part of the donor's obligation would be mitigated by payments made by these entities and that the donor's pledge as a whole is not legally binding. If you have any questions about using appropriate language when drafting a pledge agreement for a donor, contact the Director of Advancement Services for guidance.

Soft (or associated) credit

Refers to how gifts are entered in the donor database. Soft credit goes to the person or entity that was instrumental in obtaining a gift, but is not the primary donor of the gift.

Trust

A compilation of assets, real and/or personal, held by one party or parties for the benefit of another party or parties.

Unrestricted gifts

Unrestricted gifts can be used at an administrator's discretion to meet the needs of the unit.

UBIT

Even though an organization is recognized as tax exempt, it may be liable for tax on its unrelated business taxable income (UBIT). Unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis of the organization's exemption. An exempt organization that has \$1,000 or more of gross income from an unrelated business must file a form with the IRS. If you have a concern that activities conducted by your department may be UBIT, contact BFS-General Accounting at X48533.

501(c)(3):

Section of the Internal Revenue Service Code that designates an organization as charitable and tax-exempt. Organizations qualifying under this section include religious, educational, charitable, amateur athletic, scientific or literary groups, organizations testing for public safety or organizations involved in prevention of cruelty to children or animals.

