



**FISCAL SERVICES – STANDARD OPERATING PROCEDURES (SOP)**

<b>Subject:</b> Gift Fees	<b>Section:</b> Revenue
<b>Effective Date:</b> July 01, 2009	<b>Author:</b> Controller, Debbie Tran

A. Introduction and Background:

In December 2008, the Hastings Board approved the assessment of a 5% gift processing fee on all new gifts to the College, including endowment gifts, effective July 01, 2009 (Attachment 1). This is a common practice in California public higher education and is done so by UC San Diego, UC Irvine and UCLA.

The Office of Fiscal Services is responsible for calculating and recording the gift fees and for maintaining this SOP.

All gifts recorded in object code 4350, 4352, and 4355 are subject to the gift fee except as noted in Section D.

B. Description of the Gift Process

1. Alumni Center

Alumni Center records the gift into Raisers’ Edge and transmits the RE batch to Fiscal Services for posting to general ledger. The entry is as follows:

99-39999-2199	\$100	
12-69549-4350		\$100
12-69549-1124	\$100	
99-39999-1124		\$100

2. Fiscal Services

Accountant posts the gift payment through Colleague’s cash receipts. The entry is as follows:

99-39999-1124	\$100	
99-39999-2199		\$100
19-65155-1125	\$100	
19-65155-1124		\$100

C. Calculating and Recording Gift Processing Fees

Monthly, Fiscal Services reconciles the gift revenue in the general ledger to that recorded in the Raisers’ Edge subledger. Once reconciled, gift fees are calculated and charged as a contra-revenue to the respective gift account with an offsetting entry transferring cash to Institutional Advancement (09-35621-4575).



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Gift fees will generally be calculated and recorded in the following month. For example, gift fees for gifts received and recorded on the general ledger in July 2009 will be recorded in August 2009.

The sample entry recording a gift fee is as follows:

12-69549-4575	\$5	
12-69549-1124		\$5
09-35621-1124	\$5	
09-35621-4575		\$5

**D. Gift Processing Fee Exemptions**

All gift processing fee exemptions must be approved by the Chancellor and Dean and the CFO.

1. Gifts received by those programs charged an internal Hastings overhead are exempt from gift processing fees. For example, gifts to the Bookstore, McAllister Tower, certain grants received by the Centers (CGRS and WLL).
2. Private contracts which provide a "fee for service" are exempt from gift processing fees. These revenues are usually charged to object code 4105 and 4360.
3. In-kind, non-cash gifts.
4. Gifts made to the 1066 Foundation. The gift fee will be assessed when the Foundation authorizes the transfer of funds to Hastings (i.e., object code 4352, gifts from the 1066 Foundation).
5. Gifts recorded in the gift suspense account (ie., 99-39999-4350) are also excluded until final resolution.
6. Gifts where such fees are prohibited as outlined in the gift terms/acceptance letter(i.e., Hearst Foundation).
7. Gifts made to student organizations (i.e., 12-6xxxx-4350).
8. Gifts made to the State fund (00-10000-4350/4355) are exempt from the gift processing fees.
9. Gifts received from the Patino Fellowship Trust. These are pass-thru gifts to Hastings with the gift made payable to the student recipient. No cash is received by the College for these gifts.



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E. Reconciliation

The balance in account 09-35625-4575 should equal to the net college-wide total revenue from the gift processing fees except when a gift is exempt from the fee pursuant to a situation outlined in Section D.



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History of SOP

<b>Date</b>	<b>Action</b>	<b>Author</b>	<b>Approver</b>
March 11, 2010	Modification for Gift Fee Exceptions	Lisa Ton/D. Tran	L. Martinez/D. Seward
July 01, 2009	Implementation	D. Tran	Board of Directors

Exhibits

1. Exhibit 1 – Board action authorizing the implementation of the gift fee.

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## **ACTION ITEM**

- 1. REPORT BY:** Donald Bradley
- 2. SUBJECT:** Review and Consideration of the Adoption of a Gift Processing Fee
- 3. RECOMMENDATIONS:**

That the Board of Directors approves a 5% gift processing fee on all new gifts effective July 1, 2009.

## **4. BACKGROUND:**

At the August 2008 meeting of the Finance Committee a report discussing gift processing fees was disseminated (copy attached). The report found that application of such fees is common practice in California public higher education with Berkeley charging a 2.5% gift fee, UC Davis with a 6% gift fee, and UCSF collecting 4%. Since that report, additional UC campuses have been surveyed the results are summarized below:

### **UC San Diego**

Beginning in 1993, all gifts made to either UCSD or the UC San Diego Foundation were assessed an administrative fee of 4% for the purpose of partially defraying development program and related administrative costs. New cash gifts and payments on pledges are subject to the fee. The fee percentage may be reviewed and revised periodically.

### **UC Irvine**

Private gifts received by UCI and the UCI Foundation are assessed a one-time 5% Cost Recovery Fee intended to secure a reliable source of funding for the infrastructure of UCI's development program. Costs recovered by the fee include, but are not limited to, gift accounting, receipt and acknowledgment in accordance with IRS regulations and information systems.

### **UCLA**

Under their policy, this fee is taken as a direct charge of 5% at the time the gift is received. UCLA's policy was adopted in 2004.

## **5. PROPOSED RESOLUTION:**

Resolved that the Board of Directors approves a 5% gift processing fee on all new gifts effective July 1, 2009.

## REPORT ITEM

1. **REPORT BY:** Donald Bradley
2. **SUBJECT:** Report on Gift Processing Fees
3. **REPORT:**

Like many public institutions of higher education, the overall level of state funding for Hastings has declined over time. The majority of costs associated with the fundraising effort are state funded. As state funding becomes ever more constrained, higher education institutions are seeking alternative revenue sources to support fundraising efforts. The purpose of this informational report is to provide background on this topic and explore its possible application to UC Hastings.

By definition, a gift is a contribution intended as a donation and bestowed voluntarily and without expectation of tangible compensation. Normally gifts are awarded irrevocably. A gift processing fee is the percentage of a gift's value deducted from the gift to help fund critical campus needs, primarily related to fundraising and development.

As state funding for Hastings continues to diminish, there is an increased need to raise private support. In higher education, gift processing fees are intended to recover a portion of the costs of fundraising and administrative costs. This is not an uncommon procedure within the University of California system. Berkeley has instituted a 2.5% gift fee, UC Davis has a 6% gift fee, and UCSF collects 4% from their gifts. The first step in creating a gift fee for UC Hastings is analyzing the budget to see what a reasonable gift fee will be in order to offset at least a portion of administrative costs.

Some schools have adopted different fees for endowments and research gifts. Research gift fees are usually a higher percentage due to the greater cost associated with providing the resources needed to support empirical studies. For example, while Berkeley's gift fee is 2.5%, they have adopted a research fee of 10.5%. Research fees differ from Indirect Cost Allowances or Overhead Rates; these charges are typically applied to grants and contracts, not gifts.

Revenues derived from the application of any gift processing fee would be accounted for as unrestricted revenue. Funding derived from this fee revenue could be used to augment fundraising efforts (thereby foregoing the need to use other funding sources for this purpose) or alternatively could be used as a substitute for existing funding sources (e.g., state funding) enhancing the financial flexibility of the College. In either event, funds would be allocated as part of the normal budget process.

Excepted in the attached pages are portions of the Gift Fee Policies for Berkeley and Davis. Their guidelines are helpful in assessing approaches Hastings could adopt. The next step would be further research and the development of specific recommendations for consideration by the Hastings Board of Directors and 1066 Foundation at a meeting later in the fiscal year..

# UC Berkeley

## Policy Statement

It is the policy of the University of California, Berkeley to offset a portion of the costs of fundraising and administering research gift funds by assessing a fee. With the exception of research gifts, donor gifts are assessed a gift fee of 2.5%. Research gifts, defined as unrestricted funds to support the research of one or more specified faculty members or research programs, are assessed an administrative fee of 10.5%.

## Who Is Affected By This Policy

- Principal Investigators
- Chief Administrative Officers, Management Service Officers, and Budget Analysts
- Development Officers, Fundraisers, and Gift Processors

## Who Administers This Policy

- The Chancellor's Office
- University Relations
- The Controller's Office and Foundation Financial Services

## Responsibilities

### University Relations:

- Codes charitable gift funds to reflect appropriate gift fee assessment.
- Assesses gift fee.
- Provides reports to the vice chancellors and deans at the "org" and "fund" levels to support the distribution amounts.
- Responds to departmental questions regarding the distribution of gift fees.
- Coordinates review of requests for gift fee waiver.

### Foundation Financial Services and the Controller's Office:

- Redistribute gift fees in accordance with the terms and conditions of this policy.

### Vice Chancellors and Deans:

- Establish procedures for the further redistribution of gift fees, if so desired, within their areas of responsibility.
- Allocate their unrestricted funds to University Relations, Foundation Financial Services and the Controller's Office.
- Redistribute gift fees in accordance with local procedures

### Chancellor's Office:

- Approves or denies gift fee waiver requests.
- Keeps an up-to-date record of waivers to this policy.

## Procedures

### STANDARD GIFT FEE ASSESSMENT AND DISTRIBUTION FOR NON RESEARCH GIFTS

- The gift fee applies to all cash gifts, bequests, and payments on pledges.
- For non-cash gifts, the gift fee is deducted from net proceeds of sale.
- The 2.5% gift fee is distributed to unrestricted funds administered by the vice chancellors and deans responsible for the units benefiting from the gifts. The fee (placed in a separate unrestricted fund) is available to the benefiting unit at the time the gift is recorded on the unit ledger.
- If more than one vice chancellor or dean benefits from a gift, the gift fee is split proportionally, provided the proportions are negotiated and documented at the time the fund is established.
- Vice chancellors and deans are expected to use their portion of the gift fee within their division, college, or school to support fundraising efforts. This is consistent with the campus's explanation of the gift fee to donors.



- For **campus affiliates**, the gift fee is distributed to the affiliate director.
- Gifts for **scholarships and fellowships** are often administered by the Financial Aid Office or the Graduate Division. However, these units do not necessarily benefit from the gift. If a gift is made for a scholarship or fellowship within an academic discipline, the benefiting unit is the appropriate college or school, and the gift fee is distributed to the appropriate dean, provided the benefiting unit is identified upon receipt of the gift. If an academic discipline is not identified, the gift fee is distributed to the Vice Chancellor – Student Affairs (for scholarships) or the Dean of the Graduate Division (for fellowships).

Under some circumstances, the Chancellor retains the gift fee. These include but may not be limited to:

- Unrestricted bequests, regardless of how they are later allocated.
- Chancellor's Initiatives

A permanent administrative fee of 10.5% on research gifts, to be divided as follows:

- 7.5% to cover the costs of the administering unit;
- 2% to cover the costs of central campus units involved in research administration;
- 1% to invest in future research via the Berkeley Futures Fund and Cost Sharing Fund.

A gift is considered a research gift when it is designated as unrestricted funds to support the research of one or more specified faculty members or research programs. Funds are classified as research gifts, as distinguished from contracts and grants, when the funds are irrevocable, and the donor does not impose contractual requirements; i.e., there are no deliverables. The research administrative fee is assessed upon transfer of a gift to the administering unit as a one-time-only fee. The research gift funds (less the administration fee) are then available to the recipient for as long as it takes to spend the money.

## **UC Davis**

### **Policy**

- The campus will assess a 6 percent gift fee on all gifts pledged to UC Davis (both Regents and Foundation)
- Solicitation and pledge materials must include notification to donors that a gift fee will be assessed.
- Two-thirds of the gift fee revenue on each gift will be distributed directly to the dean, vice provost or vice chancellor who receives the gift. One-third of the gift fee revenue on each gift will be distributed to a central campus pool for strategic allocation to deans, vice provosts and vice chancellors and University Relations.
- The gift fee revenue is to be expended only to help support the costs of fundraising and related advancement activities.
- Unless otherwise stated in this policy, gifts for any and all purposes and gifts from any and all sources are subject to the gift fee

### **Payment, Deferral, and Exemptions**

- For each gift, the dean, vice provost or vice chancellor who receives the gift, based on consultation with donors as appropriate, will designate one of the following gift fee payment options:
  - Deduct the fee from the gift principal.
  - Deduct the fee from funds provided by the donor specifically for purposes of paying the fee.
  - Deposit and hold the complete gift in an interest earning account until sufficient earnings have accrued to pay the fee. This option is available only for gifts of \$100,000 or more and requires that the dean, vice provost or vice chancellor who receives the gift submit a written request to the Vice Chancellor--University Relations explaining special circumstances that warrant holding the gift.
- The gift fee will be assessed on a planned giving (deferred) gift when the gift matures and is received as cash. The fee will be assessed on the cash received, not on the value assigned when pledged.
- University Relations may grant a gift fee exemption for a gift from a corporation or foundation if provided verification that gift fee payments are prohibited by donor restrictions set by foundation or corporation statute, published guideline or policy.
- The Chancellor in consultation with University Relations may on rare occasions grant a partial or full gift fee exemption based on written justification provided by the dean, vice provost, or vice chancellor who receives the gift.