

## INDEX

### GIFTS

<u>POLICY NO.</u>	<u>TITLE</u>
2201	Gift Date Policy
2202	Gift Receipt Policy
2203	Gift Valuation for Publicly-Traded Securities
2204	Gifts of Securities (liquid)
2205	Gifts of Service
2206	Illiquid Gift Acceptance Policy
2207	Gifts in Kind
2208	Gifts of Currency
2209	Gifts of Insurance Policy and Corresponding Insurance Premium Payments
2210	Gifts with Benefit
2211	Credit Card Policy
2212	Gifts Return Policy
2213	Grant vs. Gift
2214	Gift Adjustment and Reallocation Policy
2215	Gift via Bank Wire
2216	Creating a New Fund Policy
2217	Donor Advised Funds
2218	Lockbox: Gifts via Lockbox Process
2219	Lockbox: Creating Scannable Pledge Cards
2220	Payroll Deduction Gifts for Penn Employee
2221	Pledge Policies
2222	Pledge Agreements
2223	Pledge Establishment of Reserve Allowances
2224	Pledge Past Due
2225	Pledge Write Off Policy
2227	What is a Gift?
2228	Establishing & Closing Gift Endow & Agency Funds
2229	Gifts from Unknown Donor Policy

## **2201 Gift Date Policy**

Subject: Gift Policy  
Title: Gift Date Policy  
No.: 2201  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To ensure proper gift dates for donors, in accordance with Internal Revenue Service rules and regulations.

### **Policy**

#### Cash Gifts

The “mailbox rule” applies for all gifts received. This means the postmark on the donor’s envelope (rather than the date of receipt) determines the date of the gift. It is crucial to retain all envelopes with gift correspondence which are submitted to the Office of Gifts Accounting & Administration, particularly at the approach of calendar year-end and for Life Income Gifts.

#### Credit Card Gifts

The “mailbox rule” applies for all credit card gifts. This means the postmark on the donor’s envelope determines the date of the gift. This is especially applicable at calendar year-end if a credit card gift is received in January but the postmark is dated December, the official gift date is December since the University had an enforceable right to collect the gift in December.

#### On-Line Credit Card Gifts

The gift date is the same day the donation is submitted on-line.

#### Gifts of Securities (See Gift Valuation Policy #2203)

For electronic transfers, the gift date is the date the securities are deposited into the University’s account.

For physical securities, the “mailbox rule” applies. In addition to a certificate, a donor must forward a stock/bond power and a signed letter stating the donor’s intention of giving the security to the University. The stock power and letter of intention must be mailed separately from the physical security. Gift date is when all three pieces are received by the University.

## **2202 Gift Receipt Policy**

Subject: Gift Policy  
Title: Gift Receipt Policy  
No.: 2202  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To meet Internal Revenue Service requirements and donor needs for gift information

### **Policy**

The Internal Revenue Service requires the University to forward gift receipts to donors for all donations in the amount of \$250.00 and above. The donor must be informed that “No goods or services as defined by the IRS have been provided by the University as a consideration for making this gift”, if that is the case. The Office of the Treasurer is the **only** office with fiduciary authority to execute and issue receipts for all gifts to the University.

If a benefit is exchanged in conjunction with the gift, such as admission or membership to a University organization, the donor’s tax deduction is reduced **by the fair market value of the benefit**. This is noted and the benefit schedule is provided to the donor on the back of the receipt.

## **2203 Gift Valuation for Publicly-Traded Securities**

Subject: Gift Policy  
Title: Gift Valuation for Publicly-Traded Securities  
No.: 2203  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To appropriately record and receipt gifts of publicly-traded securities to the University and to comply with IRS requirements and University stewardship guidelines.

### **Policy**

The valuation of a security gift is derived from the mean of the high and low price transactions per share on the date of the gift. These prices are typically recorded in trade publications, such as *The Wall Street Journal* or through electronic pricing services, such as Bloomberg.

For example:

100 shares of General Electric  
Gift Date: February 19, 2002  
High Price for the Day: \$37  
Low Price for the Day \$36.32

$(\text{High} + \text{Low})/2 = \text{Mean Value per share}$   
 $\text{Mean Value per share} \times \text{Number of Shares} = \text{Value of Gift}$

Or

$$[(37.00) + (36.32) / 2] * 100 = \$3,666.00$$

Note: for bonds donated, accrued interest is also included in the gift amount. In addition, bond prices may be derived from a dealer(s) if pricing is not readily accessible from other published sources.

### **Privately held or restricted securities:**

Because values are not readily accessible and there is an indeterminable discount for illiquidity, no valuation is included on the donor's receipt. The donor should consult

his/her tax advisor to determine an appropriate deduction to take for such gifts. Gift credit for privately held or restricted securities is applied to the donor's record based on proceeds realized upon sale.

It is the fiduciary responsibility of the Office of the Treasurer to accept, sell and receipt gifts of securities.

## **2204 Gifts of Securities (liquid)**

Subject: Gift Policy

Title: Gifts of Securities (liquid)

No.: 2204

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

Gifts of appreciated securities offer donors an option of giving to Penn in a way that may provide tax benefits.

### **Policy**

Security gifts generally include stocks, bonds, limited partnerships, closely-held stock, and mutual funds.

The University of Pennsylvania accepts gifts of appreciated securities for immediate sale and does not retain securities for further appreciation.

The University will value the security as of the date the donor relinquishes control of the asset(s).

- For electronic transfers, this is the date the securities are deposited into the University's brokerage account.
- For mailed physical certificates in the donor's name, the "mailbox" rule applies. This means the postmark on the donor's envelope determines the date of the gift.
- For mailed physical certificates reissued into Penn's name, the certificate date determines the date of gift.

Stock gifts are valued by calculating the mean between the high and the low trading prices on the date of the gift.

Mutual funds are valued at their closing net asset value (closing price) on the date of the gift.

Government bonds are valued at the mean of the bid and asked prices at the end of the day, on the date of the gift, as recorded in trade publications.

Corporate bonds may be valued by an alternate source, such as dealer pricing, in writing, depending on their liquidity. Valuations for corporate or government bonds include accrued interest as of the gift date.

Broker statements are reviewed monthly to confirm the date of transfer (date of the gift).

The Office of the Treasurer is the only authorized agent to accept, appraise and sell gifts of securities for the benefit of the University.

The Office of the Treasurer will issue the appropriate gift receipt for tax purposes to the donor. The IRS requires that all charitable gifts of \$250 or more be supported by a receipt from the charity.

Upon the sale of the security, net proceeds are journaled to the appropriate gift account designated by the donor. With the exception of restricted or privately held securities, net proceeds are not booked as the gift amount (see Policy # 2206 Illiquid Gift Acceptance Policy).

## **2205 Gifts of Service**

Subject: Gift Policy

Title: Gifts of Service

No.: 2205

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Policy**

It is the University of Pennsylvania policy not to accept gifts of service.

## **2206 Illiquid Gift Acceptance Policy**

Subject: Gift Policy

Title: Illiquid Gift Acceptance Policy

No.: 2206

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

To identify the policies and issues surrounding the acceptance of illiquid gifts.

### **Policy**

The following factors should be reviewed by the appropriate Development Officer in coordination with Trust Administration for gifts which **cannot** be readily liquidated (liquidated within one week). Note that in all cases, the donor should be informed that his/her gift credit is the realized sale proceeds.

Purpose of the Gift:

**Endowment:** An illiquid gift is generally acceptable.

**Building Fund:** Acceptable only if the school/center and the Vice President for Finance and Treasurer determine it meets funding requirements for the building.

**Current Fund:** An illiquid gift is generally acceptable.

**Scholarship Fund:** An illiquid gift is acceptable only if the securities generate income or if awards are made following liquidation of the securities.

Other Liabilities:

For limited partnerships or other commingled vehicle investments, Trust Administration must seek a review by the Office of General Counsel to determine if there are any other potential liabilities associated with the investment.

If there are no potential liabilities:

- ❖ The Vice President for Finance and Treasurer should make a determination as to whether to accept the gift.

If there are no other potential liabilities, coordinate with Trust Administration on the following:

- ❖ Confirm that the purpose of the partnership is one which is not in violation with the University's mission,
- ❖ Confirm that reporting or other requirements are not unduly cumbersome,
- ❖ Accept the gift, subject to the fund restrictions listed in the Purpose of the Gift above.

#### Gift Credit

- ❖ Realized sale proceeds are used as gift credit for illiquid securities.

#### Receipting

- ❖ Receipts will have no dollar value stated for illiquid gifts. It is the donor's obligation to establish a gift value. The donor will be notified of sales proceeds, once realized, if sold within 2 years of date of gift.

#### Hedging restricted stock gifts

- ❖ The Treasurer's Office may consider hedging strategies for gifts above \$250,000 in an attempt to preserve the value of the gift. Following a review of hedging opportunities with outside brokers/advisors, recommended hedging strategies (including an estimate of their cost) will be communicated to the relevant school/center. Any cost associated with hedging will be deducted from the proceeds of the gift and so borne by the relevant school/center. The Treasurer's Office may recommend against hedging strategies in light of cost, timing or liquidity issues.

## **2207 Gifts-in-Kind**

Subject: Gift Policy  
Title: Gifts-in-Kind  
No.: 2207  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

There are various types of Gifts-in-Kind which include: property, antiques, rare books, art, equipment, inventory, livestock and software. The University records said gifts according to the following policies.

### **Policy**

Gifts-In-Kind should not be accepted unless they are able to be put to a related use by the University of Pennsylvania. Gifts-In-Kind donated for the purpose of resale must be approved by the Treasurer prior to acceptance.

Form 8282 (should be completed by the University if sold within 2 years)

Form 8283 (should be completed by the donor)

The University of Pennsylvania does not place a value on gifts-in-kind and non-marketable securities. (See IRS Publication 561 "Determining the Value of Donated Property"). It is the donor's responsibility to obtain substantiation of value according to IRS regulations.

The contribution date is determined by the date the item(s) is transferred (either physically delivered, or in the case of real estate when the deed is signed) to the University.

### **Artwork:**

The Office of the Curator should be notified of all proposed artwork and collection donations proposed for review and approval.

### **Equipment:**

The Office of the Comptroller should be notified of all equipment donations to determine appropriate recording instructions.

### **Livestock:**

The value of livestock is to be recorded at \$1.00. This is not recorded on the financial statements.

**Real Estate:**

Real Estate donations should be approved by The Office of the Treasurer.

## **2208 Gifts of Currency**

Subject: Gift Policy  
Title: Gifts of Currency  
No.: 2208  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

The University accepts currency donations ***but*** must comply with IRS regulations.

### **Policy**

The University is required by IRS regulations to complete Form 8300 (*link site*) for transfers of currency in amounts of \$10,000 or more. Fees associated with the collection of gifts of cash are the responsibility of the school/center benefiting from the gift.

The Office of the Treasurer will acknowledge promptly the receipt of gifts of currency in accordance with IRS requirements.

For gifts valued in foreign currencies, the gift value will be based on the exchange rate in effect on that date.

## **2209 Gifts of Insurance Policies and Corresponding Premium Payments**

Subject: Gift Policy

Title: Gifts of Insurance Policies and Corresponding Premium Payments

No.: 2209

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

To provide a framework for gifts of insurance policies.

### **Policy**

A donor may make the University of Pennsylvania beneficiary of an insurance policy. The University will credit the donor and issue a gift receipt.

The donor remits the premium for the University to pay. All acceptances of insurance policies must be approved by the Office of Planned Giving.

## **2210 Gifts with Benefits**

Subject: Gift Policy  
Title: Gifts with Benefits  
No.: 2210  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To ensure the proper deposit of a donor check that includes both gift and benefit.

### **Policy**

A BEN Deposit ticket must be completed, along with a Gift and Pledge Transmittal Form.

The BEN Deposit ticket should be brought to the Cashier's Office for deposit. For the gift portion, the ticket must have the proper object code which is 1149 on the account entry line.

Same day, a copy of the validated deposit ticket should be attached to the Gift and Pledge Transmittal form, along with any supporting documentation including a copy of the check and delivered to Gifts Accounting & Administration, 433 Franklin Building. The Gifts Office will journal the money from object code 1149 and will properly record the gift and forward a gift receipt to the donor for tax purposes.

All school/center deposits to 1149 without appropriate gift documentation (Gift & Pledge Transmittal) will be written off to 4920 (other income) after 90 days.

## **2211 Gift Credit Card Policy**

Subject: Gift Policy  
Title: Gift Credit Card Policy  
No.: 2211  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To ensure the proper recording, processing and filing of all donor credit card activity. The University accepts Master Card, Visa, American Express and Discover.

### **Policy**

All credit card information must be secured in locked file cabinets for privacy issues. Only authorized personnel should have access to such files.

Donor credit card information should be recorded on the Gift and Pledge Transmittal form and forwarded directly to Gifts Accounting & Administration, 433 Franklin Building. Gifts are processed and recorded to the system and a gift receipt is generated and forwarded to the donor for tax purposes.

## **2212 Gift Return Policy**

Subject: Gift Policy  
Title: Gift Return Policy  
No.: 2212  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To comply with Pennsylvania law, guarantee proper allocation of donations, avoid adjustments, and maintain consistent donor relations, no gift to the University shall be returned to a donor unless a clear error in the amount of payment or payee has occurred.

### **Policy**

The University is a non-profit charitable organization. Under Pennsylvania law, a gift committed to charity may not be diverted from that charitable purpose. Therefore, once the University receives a gift, the gift must be used to further the University's charitable purposes. Thus, the University policy, consistent with Pennsylvania law, is that no gifts to the University shall be returned to a donor.

If the University is approached by a donor requesting that a gift be returned, the University should respond consistently that the return of gifts is prohibited by law and under the policies of the University.

In unusual cases, after review by the Office of General Counsel and the Vice President for Finance, a gift may be transferred to another charity as allowed by law (usually with the consent of a representative of the Office of Attorney General and after approval by the Orphans' Court).

Upon a donor's request, the University may refund money to a donor who has erroneously overpaid on a pledge, or to entities which should have forwarded the check to a different institution. In each case, the donor must provide the appropriate taxpayer identification number. Verification of paying account is necessary to ensure the refund is made to original payor account.

If a donor has taken a charitable tax deduction for all or part of a returned gift, the donor must report as part of gross income to the Internal Revenue Service the return of the gift.

## **2213 Grant vs. Gift**

Subject: Gift Policy  
Title: Grant vs. Gift  
No.: 2213  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To ensure proper financial recording and reporting of grants vs. gifts.

### **Policy**

All grant contracts carry an explicit quid pro quo relationship between the source of the funds and the institution and must be forwarded to the Office of Research Services (ORS) for accurate reporting.

Grants carry with them obligations that must be fulfilled by the University (i.e., special reporting and timetable) while Gifts are direct, unconditional donations.

If there is a question whether money received is a grant or a gift, contact one of the following offices for clarification:

**Office of Research Services**  
Andrew Rudczynski, Ph.D.  
Associate Vice President for Finance  
[Abrud@pobox.upenn.edu](mailto:Abrud@pobox.upenn.edu)

**Gifts Accounting & Administration**  
Maria Perkins  
Director, Gifts Accounting & Admin.  
[mariak@pobox.upenn.edu](mailto:mariak@pobox.upenn.edu)

## **2214 Gift Adjustment and Reallocation Policy**

Subject: Gift Policy

Title: Gift Adjustment and Reallocation Policy

No.: 2214

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

To guarantee the proper allocation of donations and make adjustments to accommodate donor intent or corrections of error in gift recording.

### **Policy**

The Office of Gifts Accounting & Administration is responsible for the timely and accurate recording, deposit and accounting of all donations and pledges to the University.

The Gifts Office receives gifts via check, credit card, lockbox and in-kind, and is responsible for ensuring that all methods of giving are accomplished efficiently and in compliance with our fiduciary duties.

- All adjustments and reallocations must be submitted via the web. Please allow up to 10 business days for processing.
- The online Adjustment and Reallocation Form(s) can be found on the following web site

[www.atlas.upenn.edu](http://www.atlas.upenn.edu)

- The Gifts Office reviews all adjustment and reallocation requests to ensure that donor intent is met.
- An email will be sent by the Gifts Office confirming its receipt of the request.

## **2215 Gift via Bank Wire**

Subject: Gift Policy  
Title: Gift via Bank Wire  
No.: 2215  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To ensure funds donated by wire are received by the University

### **Policy**

The Treasurer's Office Cash Management department facilitates all gifts received via bank wire transfer. <http://www.finance.upenn.edu/treasurer/cashman/index5.shtml#8>

If a donor wishes to make a gift to the University of Pennsylvania via wire transfer, the following wire instructions should be used to ensure prompt crediting of funds:

Bank Name: Mellon Bank (East)  
Address: 701 Market Street  
Philadelphia, PA  
ABA#: 031000037  
For Credit to: The Trustees of the University of Pennsylvania  
Account#: 2-523-694  
Attn: (Department contact, telephone number and ORG number)  
(For International wires only: SWIFT CODE: MELNUS3P)

It is recommended that gifts over \$100,000.00 be sent via wire.

Once funds are received and identified, the Cash Management will contact the recipient noted on the contact line by email or telephone. An internal 26-digit account number is required so that the General Accounting Department can record the entry in the University financial system. Cash Management will send a memorandum confirming the information, which includes a description of the wire transfer from the issuing bank for supporting documentation purposes.

The official gift date is the date the wire is received. The Office of Gifts Accounting & Administration will produce a gift receipt for the donor within one to three business days.

## **2216 Creating a New Fund Policy**

Subject: Gift Policy

Title: Creating a New Fund Policy

No.: 2216

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

To meet donor intent and to ensure accurate accounting treatment of gifts, the University must create new operating, capital gift, endowment or agency funds. This is the responsibility of the Investment Services Unit of the Treasurer's Office.

### **Policy**

The minimum amount required to establish an endowed fund is determined by individual schools. There are no dollar limits to establishing operating or capital gift funds. All pledges above \$25,000 require a pledge agreement, signed by the donor and the Vice President of Development and Alumni Relations, and must include a schedule of payments, dates and amounts.

Below is a description of each of these types of funds.

#### **Endowment Funds**

Provide long term support for the maintenance of the University. There are different types of endowment funds. True endowments, also known as permanently restricted endowments, are generally established with donor-restricted gifts and bequests to provide a permanent source of income. A term endowment, also known as a temporarily restricted endowment, provides support for a specific time period or when specific conditions are met. Time or a specific event prompts the release of restrictions. A fund functioning as endowment, or quasi-endowment, also considered an unrestricted endowment, is a fund that generates income for a specific purpose but is not donor-restricted. The donor has imposed no restriction, but the board has designated this fund for investment.

#### **Current Restricted Funds**

Are gifts received from a donor, temporarily restricted for a specific purpose.

#### **Capital Gift Funds**

Are gifts received from a donor which are restricted to a capital project, such as building renovation or construction.

### **Agency Funds**

Are resources held by the University as an agent for a third party. The University has little or no discretion over the use of these resources.

To request the establishment of a new fund, a **new fund request form** must be completed and signed by the school senior business administrator and submitted to Investment Services, 427 Franklin Building/6205. Appropriate documentation must accompany the request. (For example: a signed pledge agreement, donor letter, and/or solicitation letter) All original documentation including fund agreements must be sent to Investment Services for safekeeping. For capital funds, a project related program code is also required to establish the fund.

All requests for new grant funds should be referred to the [Office of Research Services](#). Unlike gifts, grants involve a quid pro quo transfer of goods or services or property rights.

## **2217 Donor Advised Fund**

Subject: Gift Policy  
Title: Donor Advised Fund  
No.: 2217  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To accommodate the needs of donors who wish to contribute to the University through Donor Advised Funds.

To identify and meet relevant legal and tax issues associated with Donor Advised Fund.

### **Policy**

Donors may wish to contribute using a Donor Advised Fund. Some Charitable Gift Funds or Donor Advised Funds require submission of a Grant Eligibility Application before making gifts to Penn. It is the responsibility of the Vice President of Finance and Treasurer to sign all such applications. A copy of the University's IRS 501(c)(3)-determination letter must be attached to each Application. This may be obtained through the Tax Office or the Office of Gifts Accounting & Administration.

## **2218 Lockbox: Gifts via Lockbox**

Subject: Gift Policy

Title: Lockbox: Gifts via Lockbox

No.: 2218

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

Lockbox is an electronic tool that offers a convenient method of donating for both the donor and Penn. The University's Lockbox provider bank captures data (i.e., donor identification, fund number, etc.) from a properly formatted pledge card.

The Pledge Card must have contain a scramble donor id.

All Pledge Cards must be scannable documents.

Pledge Cards are used in lieu of the Gift and Pledge Transmittal Form.

Below is a description of the way in which gifts are processed via lockbox.

Process:

The Lockbox bank has an efficient process to ensure the timely processing of gifts:

- Picks-up mail 6 times daily
- Opens and sorts the mail
  - Instructions include one check per card processed. All others are returned to the Office of Gifts Accounting & Administration for review and processing. In addition, matching gift forms are forwarded to the Gifts Office for processing.
- Scans the print train (scan line) on the pledge card
- Manually enters the check amount on the bank system which feeds to the University's system
- Deposits checks
- Forwards electronic file of scanned documents to ISC for downloading into Penn's system
- Delivers original pledge cards, deposit ticket, and reports to the Gifts Office daily for reconciliation
- Forwards cards that are unprocessable due to unscannable print train to the Gifts Office for research and manual processing

Gifts Office:

- Reconciles the electronic file to the deposit ticket and audit reports
- Updates donor information as indicated by the donor on the pledge card (i.e. name, address, fund number, record new pledge and attach first payment)
- Forwards donor correspondence to the schools/centers

- Releases cash and credit card gifts to the financial system on the same day that the Gifts Office receives them from the bank

## **2219 Lockbox: Creating Scannable Pledge Cards**

Subject: Gift Policy

Title: Lockbox: Creating Scannable Pledge Cards

No.: 2219

Effective: July 2003

Revised: March 2006

Last Reviewed: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose**

To ensure that schools/centers properly format pledge cards to be used for Lockbox solicitations. If pledge cards are not scannable, they cannot be processed in a timely fashion through the Lockbox application.

### **Lockbox Template Program**

#### **I. The Lockbox Template Program**

- a. Template pre-designed and pre-approved by Gifts Accounting & Administration
- b. Lawler Direct will coordinate the printing of our lockbox cards and donor information, as well as the sorting and mailing of your solicitations
- c. No minimum pieces per print job required
- d. DAR Reports will work with you to pull and segment your donor information
- e. Central Development will cover the cost of the preliminary design of the lockbox document, the printing of the return Business Reply Envelop (BRE), and the postage for the BRE

#### **II. Why is there a need to a standard lockbox template?**

- a. To ensure a 'scannable' document is produced
- b. A standard template will decrease the manual review of these documents by the Gifts Office

#### **III. Why use lockbox?**

- a. Lockbox can handle pledge payments
- b. Soft dollar credits are manually captured
- c. Your school/center will receive any additional correspondence from donors and copies of pledge cards with additional donor gift information
- d. Development and Alumni Records will update address information in ATLAS
- e. You do not need to complete a gift transmittal or a list to process gifts that come in through lockbox
- f. Lockbox saves an estimated three (3) business days of processing time
- g. Central Development picks up the tab for the postage for the business reply envelopes to lockbox

#### IV. Where do I start with my Lockbox appeal?

- a. Contact Maria Perkins if you will be using lockbox (both new and old customers)
- b. Determine which FUND you want to solicit
- c. Determine your target population to solicit. NOTE: All solicited prospects must have a record in ATLAS in order to produce a unique scanline.
  - i. LYBUNDT – Gave Last Year But UNfortunately did Not Donate This year
  - ii. SYBUNDT – Gave Some Year But UNfortunately did Not Donate This Year (Have not given in 2 years)
  - iii. HYBUNDT – Have given some Year But UNfortunately did Not Donate This year (Have not given in 5 or more years)
  - iv. Never Gives
  - v. Interest/Affiliations/Etc.
- d. Contact DAR Reports Office and pull your information. You will be requesting a “PLEDGE CARD FILE WITH SCANLINE”.
- e. Make sure the following records ARE not pulled for your mailings
  - i. Negative service indicator – Contact Exclusion – All mail keep off
  - ii. Deceased
  - iii. Inactive addresses (Formerly Address Temp Lost in IDB)
- f. Determine what other literature you would like to include in the mailing along with the lockbox document and BRE.
  - i. Double Your Dollars Brochure
  - ii. Letter from School Dean/Center Director
  - iii. School/Center Brochures
- g. Contact Lawler Direct and indicate you will be using the pre-approved Template for lockbox mailing. They will guide you throughout the printing, sorting and mailing of your solicitation. You will need to work with Lawler to customize your lockbox document.
  - i. Penn Shield
  - ii. School/Center Logo
  - iii. Fund Name
- h. You should review the donor data before sending it to Lawler.
  - i. You want to make sure the scan-line is correct: Source Code, Fund Number, Campaign and Solicitation Codes.
  - ii. Last minute removals: Members of Governing Boards, PAAC'd Donors, Volunteers, etc.
- i. TEST, TEST, TEST!
  - i. Contact Maria Perkins to test your documents (both new and old customers)
  - ii. A minimum of 50 cards are needed to test –The chances of the cards failing to be scanned will be dramatically reduced with a standard template

#### V. Contact for the Lockbox Template Program

- a. Lawler Direct  
Contact Name: Ernie Abe  
Email: [eabe@lawlerdirect.com](mailto:eabe@lawlerdirect.com)  
Phone: 215.824.3290

Fax: 215.824.3299

b. Development and Alumni Relations Reports Office

Contact Name: Jason Vail

Email: [jvail@ben.dev.upenn.edu](mailto:jvail@ben.dev.upenn.edu)

Phone: 215.898.3175

Fax: 215.573.6433

c. Gifts Accounting & Administration

Contact Person: Maria Perkins

Email: [mariak@pobox.upenn.edu](mailto:mariak@pobox.upenn.edu)

Phone: 215.898.8687

Fax: 215.573.5118

## **2220 Payroll Deduction Gifts for Penn Employees**

Subject: Gift Policy  
Title: Payroll Deduction Gifts for Penn Employees  
No.: 2220  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose**

To guarantee the accurate collection of information from both the donor (Penn employee) and Office of Development and Alumni Relations for gifts made via payroll deduction.

### **Policy**

The Office of Gifts Accounting & Administration is responsible for recording in the all gifts made via payroll deduction by Penn employees. The Gifts Office also makes certain that pledges are reduced appropriately and deduction requests are forward to Payroll.

All payroll deduction requests should be sent directly to **Gifts Accounting & Administration, 433 Franklin Building/6205.**

### **Payroll Deduction Transmittal Form**

The Payroll Deduction Transmittal Form can be found on the following web site:

⇒ [www.atlas.com](http://www.atlas.com)

This form must be completed by both the donor and the Development Officer. The Development Officer is responsible for submitting the form directly to the Gifts Office before the monthly deadline which is the first Friday of each month.

### **Deadline**

The Gifts Office works on a specific timeline to meet Payroll's deadline for all deductions. Payroll deduction requests must be submitted to the Gifts Office no later than the first Friday of each month.

***Important: The Payroll Deduction Gift Transmittal Form is used in lieu of the Gift and Pledge Transmittal form.***

## **2221 Pledge: Management Process**

Subject: Gift Policy  
Title: Pledge: Management Process  
No.: 2221  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose:**

To document the policies of pledge agreements and payment schedules.

### **Policy:**

Pledges represent a basic tool for soliciting and obtaining gifts for a variety of institutional purposes. Multi-year pledges play a particularly important role in major gift solicitations since they enable donors to manage their cash flow effectively and take advantage of tax-planning strategies that can maximize the value of their gifts. Pledges committed over specific periods of time, and the scheduled payments made to fulfill them, contribute to effective financial management by the University. They provide schools and centers with a clear idea of when and how to expect cash payments as plans proceed for implementing either programs or construction projects. Managing the pledge process effectively is critical to the financial stability and long-term growth of the University.

Gift Pledge receivable balances and discounts are reconciled monthly between the Gift System and General ledger. Items \$1M or greater are corrected in the current month. Other items are generally corrected the following month. Items over 90 days are generally written off.

### Agreement:

The pledge management process should begin with a clear and comprehensive written pledge agreement, which is an integral tool in managing the relationship between a donor and the University. A signed pledge agreement sets expectations and responsibilities for the donor and the University by outlining the intent of the gift, a payment schedule, and any special conditions regarding the gift.

### Payment Schedule:

The standard pledge payment schedule for a non-annual fund gift of \$25,000 or more is five years with equal payments each year. Donors are permitted to pay over a shorter period of time. However, if a donor requests a payment period greater than five years, the

development officer needs the approval of his/her Dean or Center Director, and/or the Vice President for Development and Alumni Relations. The extension payment schedule will be granted only under exceptional circumstances. If a payment schedule for an existing pledge is renegotiated for a new fulfillment period longer than five years, it also requires the same approval by the parties listed above.

## ***2222 Pledge Agreements***

**Subject:** Gift Policy

**Effective:** July 2003

**Revised:** March 2007

**Last Reviewed:** March 2007

**Resp. Office:** Treasurer

**Approval:** Treasurer

### **PURPOSE:**

The University of Pennsylvania, having adopted SFAS No. 116 in fiscal year 1996, records unconditional promises to give in its financial statements when sufficient evidence indicates that a promise to give has been made.

### **POLICY:**

Evidence of a pledge can be written or oral but must be put into writing for submission to the gift and financial systems. All documentation must be verifiable.

Promises to give \$25,000 or more must be supported by an **executed** pledge agreement. The donor's expected fulfillment date must be documented within the pledge agreement. Promises to give \$100,000 or less are considered to be payable over five years unless otherwise documented by the donor. [Note: The fair value of unconditional pledges incorporates a discount commensurate with the timing of the anticipated payment stream].

All drafts of pledge agreements must be submitted to the Office of Planned Giving for their review and approval prior to signatures being obtained.

The required signatures for pledge agreements are: Vice President for Development and Alumni Relations, Dean of the School or Director of the Center, and the President of the University of Pennsylvania \$1M and above.

Documentation of all pledges must be kept on file in Gifts Accounting & Administration, Room 433 Franklin Building/6205, and made readily accessible to auditors during the lifetime of the pledge. All original, signed documents must be sent to the Treasurer's Office for safekeeping. It is the responsibility of the Office of the Treasurer, Office of Development and the school/center business administrators to ensure fiduciary responsibility to preserve the donor's intent.

Promises to give with conditions placed against the pledge are recorded as conditional.

## **2223 Pledge: Establishment of Reserve Allowance**

Subject: Gift Policy

Title: Pledge: Establishment of Reserve Allowance

No.: 2223

Effective: July 2003

Revised: March 2006

Last Reviewed: April 2007

Resp. Office: Treasurer

Approval: Treasurer

### **Purpose:**

To ensure that the University appropriately records contributions receivable on its balance sheet, and a reserve allowance must be made for doubtful accounts.

### **Policy:**

The treatment of past due pledges impacts the University's financial position. Pursuant to FASB Statement No. 116, the present value of net unconditional pledges is required to be recorded as an asset on the University's balance sheet and as a contribution on its statement of activities. The methodology for determining net unconditional pledges involves (1) applying a discount to the value of outstanding pledges to adjust for the "time value of money" and (2) developing an estimate of an allowance for the portion of pledges determined to be uncollectible.

## **2224 Pledge: Past Due Pledges**

Subject: Gift Policy  
Title: Pledge: Past Due Pledges  
No.: 2224  
Effective: July 2003  
Revised: March 2006  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### **Purpose:**

To ensure that the University appropriately records contributions receivable on its balance sheet, the University must have policies for appropriately recording and managing past due pledges.

### **Policy:**

Pledge bills and resolving past due pledges:

- Bills are generated by the Gift System and sent to donors following a review by the appropriate development officer. {Billing instructions are recorded on the Gift System based on donor instructions from the pledge agreement. }
- The Office of Gifts Accounting & Administration generates reports of outstanding past due pledges for development officers and senior business administrators to review.
- Following the review of these past due pledges, development officers must make attempts to contact donors within in order to resolve the outstanding past due balance
- The University will reserve against all past due pledge receivables

Revising pledge agreements to resolve past due pledge issues:

- All new payment schedules must be in writing and signed by the donor
- Development officers can not revise the anticipated fulfillment date of a pledge without the approval of the Vice President for Development and Alumni Relations
  - Revisions are appropriate only if there has been a change in the donor's financial circumstances or there exist other extenuating factors that preclude payment on the original schedule. Such a pledge then becomes conditional
  - All revisions require the approval of the Vice President for Development and Alumni Relations
- Revision of pledge agreements for building projects or other restricted gifts of a time sensitive nature requires the approval of the school/center's Business

Administrator in addition to the Vice President for Development, prior to the execution of the revised pledge fulfillment schedule

- If a payment schedule is revised for a pledge of \$1 million or more, the development officer must notify the Vice President of Finance and Treasurer, in writing, of the new fulfillment terms
- If a revised payment schedule for a pledge of \$1 million includes a fulfillment period of more than five years, it must be approved by the Dean or Center Director, the Vice President for Development and Alumni Relations, and the President
- The Vice President for Finance and Treasure should be informed of all such changes
- Pledges in the amount of \$5,000 which are past due five years or more are written off by the Office of the Treasurer

## **2225 Pledge: Write-Off**

Subject: Gift Policy  
Title: Pledge: Write-Off  
No.: 2225  
Effective: July 2003  
Revised: April 2007  
Last Reviewed: April 2007  
Resp. Office: Treasurer  
Approval: Treasurer

### ***Purpose***

If a donor is unwilling or unable to fulfill a pledge, the pledge is classified as uncollectible. The decision to write-off pledges impacts the University's Contributor Relations (Atlas) system, but may have no net impact on the University's balance sheet if the pledge had been fully-reserved. While the write-off of such a pledge reduces gross pledge receivables, net pledge receivables would remain unchanged.

### ***Policy***

To write-off a pledge, there must be documentation from the donor or, if no such documentation can be received, from the development officer who attempted to obtain such documentation. Depending on the dollar value of the pledge and its purpose, various officers must be involved in the decision to write-off a pledge. For pledges over \$500,000, the decision whether or not to write off a pledge is made by the Vice President for Development and Alumni Relations and Vice President for Finance and Treasurer. Pledges should be written off when there is relative certainty that no further payments will be received. Based on historical studies, pledges which are two years' beyond their final fulfillment date will be written off, unless Development Officers have received other indications.

The Vice President for Development and Alumni Relations notifies the Development Committee of the Board of Trustees of the number of unpaid pledges and their value that have been approved for write-off during the course of each fiscal year. The Vice President for Finance and Treasurer also reports to the Audit & Compliance Committee of the Board of Trustees the number of pledges and outstanding balance that have been approved for write-off at the end of each fiscal year.

Effective July 1, 2007, all pledges under \$25,000 will be written off via the ATLAS system. Any unfulfilled pledge will be written off one year after the final expected payment date.

## **2227 What is a Gift?**

**Effective:** March 2007

**Revised:**

**Last Reviewed:** New Policy

**Resp. Office:** Treasurer

**Approval:** Treasurer

### **PURPOSE**

To define what constitutes a donation to the Trustees of the University of Pennsylvania as well as defining who can properly receive, record and receipt gifts to Penn.

### **POLICY**

1. What is a Gift?
  - a. A donation to Penn must be
    - i. an irrevocable transfer of ownership or title
    - ii. in the interest of and for the benefit of Penn
    - iii. without donor imposed conditions
2. Who can accept Gifts on behalf of the University of Pennsylvania
  - a. Any University agent acting in the interests of Penn, including trustees, faculty, staff or other entity performing as an agent of Penn
    - i. with the following limitations:
      1. Gifts of Real Estate and Stocks and Bonds must be approved through the Office of the Treasurer
      2. Gifts of Artwork must be approved through the Office of the Curator (see also Policy: Gifts of Artwork)
      3. Gifts of Services – Not accepted
      4. Gifts of Equipment Bonds must be approved through the Office of the Treasurer
      5. Gifts of Copyrights Bonds must be approved through the Office of the Treasurer
3. Who can receipt a gift?
  - a. The Office of the Treasurer is the only office authorized to receipt a gift; this included: cash, credit card, and securities.
4. It is the responsibility of the DAR representative to inform the appropriate offices of the contribution. If the agent is not a DAR representative, then Gifts Accounting and Administration should be notified as soon as possible.

## **2228 *Establishing & Closing Gift Endow& Agency Funds***

**Subject:** Gift Policy

**Effective:** March 2007

**Revised:**

**Last Reviewed:** New Policy

**Resp. Office:** Treasurer

**Approval:** Treasurer

### **POLICY**

The Office of Trust Administration administers Penn's endowments and other restricted gifts to ensure their use is compliant with donor wishes or relevant laws. It also has responsibility for monitoring and administering Penn's internal and external trusts and annuities.

Trust Administration also ensures that the University follows the donor's wishes in the use of Endowments and Restricted Gifts and maintains all original documents for these restricted funds. All questions regarding the use of these funds should be directed to this office for clarification.

### **PROCEDURE**

#### **Establishing New Funds:**

Trust Administration is responsible for the creation of new funds which meet donor requests for operating gifts, capital gifts, and endowments, and for the creation of new agency funds to meet external organization requests. Below is a description of each of these types of funds.

#### **Endowment Funds:**

Funds established to provide support for the maintenance of the organization. There are different types of endowment funds. Permanent endowments are generally established with donor-restricted gifts and bequests to provide a permanent source of income. A term endowment provides support for a specific time period. A fund functioning as endowment or quasi- endowment is a fund that generates income but is not donor restricted.

#### **Operating Gift Funds:**

Established to hold gifts received from a donor or donors which are restricted for a specific operating purpose.

#### **Capital Funds:**

Established to hold gifts received from a donor or donors which are restricted to a capital project, such as building renovation or construction.

#### **Agency Funds:**

Resources held by the University as an agent for a third party. The University has little or no discretion over the use of these resources.

To request establishment of a new endowment, gift, or agency fund, a new fund request form must be completed and signed by the school senior business administrator. Appropriate documentation must accompany the request. All original documentation including fund agreements should be sent to Trust Administration for safekeeping. For capital gift funds, a project related program code is also required to establish the fund.

Request for new grant funds should be referred to the Office of Research Services.

### **Closing Endowment, Gift, and Agency Funds**

Requests to close endowment, gift, and agency funds should be sent to Trust Administration. The following criteria should be met before the request is made:

1. There should be no additional gifts expected for an endowment or gift fund.
2. There should be no additional revenue expected for an agency fund.
3. There should be no additional expenses expected. All automatic feeder expenses should be moved to a different account or discontinued. (For example, Telecommunications, Archives, etc. should be contacted to change any ongoing feeder charges to a different account. All mail cards which map to this fund should be destroyed.)
4. The derived cash balance at each CNAC-Org-Fund combination should be \$0.00.
5. All 26-digit account combinations should have an encumbrance balance of \$0.00.
6. All 26-digit account combinations with an object code between 1111 and 2999 should have a balance of \$0.00. (Please note: For agency funds, if there is a balance in object code 2800 but the balance is offset by the sum of the FYTD balances in object codes 4000-5999, the fund may be requested to be closed.)

### **Recording Revenue in Agency Funds**

Agency funds should never receive gifts nor internal transfers. Agency fund revenue is deposited through BEN Deposits using a revenue object code beginning with 43xx or 49xx. The default object code for agency fund revenue is object code 4920.

In general, no agency fund deposits should be to an object code beginning with 5xxx. In the unusual instance where a current expense is being reimbursed, the object code used for the initial expense should be used for the deposit.

Object code 5500 should not be used for agency fund deposits because this object code should be used only as the credit side of an *internal* expense charge. (For example, if Dept. A provides a service to Dept. B, the journal is a debit to Dept. B's University account using an internal expense object code such as 5221, 5227, 5340, etc. and a credit to Dept. A's University account using object code 5500.) Agency funds should always use *external* expense object codes.

Since agency funds are *external* to the University, neither internal transfers (object codes 482x) nor gift object codes should be used with agency funds.

Note: The 26 digit account for agency funds must follow pattern of:  
99x-99XX-x-9xxxxx-xxxx-xxxx-xxxx

## **2229 *Gifts from Unknown Donor Policy***

**Subject:** Gift Policy,  
**Effective:** January 2008,  
**Revised:** ,  
**Resp. Office:** Treasurer,  
**Approval:** Treasurer

### **PURPOSE**

The University accepts gifts of appreciated securities pursuant to its normal gift acceptance policy. When the University receives securities from an unidentifiable source, the donation will be recorded under “donors unknown.” After the securities are sold pursuant to the University’s normal policy, the proceeds will be deposited into an operating gift fund pending identification of the donor.

### **POLICY**

- The Office of Treasurer periodically reports unknown donors to Development and Alumni Relations staff to help identify any of these donors.
- The Office of the Treasurer will attempt to match receipts of stocks with prior receipts in an attempt to identify donors.
- Any gift remaining in the operating gift fund referred to above after two years from its receipt by the University will be deposited into the General University Endowment fund and invested in AIF. Income earned from this endowment will be used at the discretion of the Executive Vice President and Vice President of Finance and Treasurer.
- If a donor is identified after the transfer is made to the endowment, the University will transfer the gift value to the purpose determined by the donor, whenever possible.