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Parent Policy: **Donation Acceptance Policy**

Counting Practices for Philanthropic Support Procedure

Office of Administrative Responsibility:	Office of Vice-President (Office of Advancement)
Approver:	Vice-President (Office of Advancement)
Scope:	Compliance with University procedure extends to all members of the University community.

Overview

The University of Alberta is committed to excellence in teaching and research and to the fundamental principles of academic freedom. Philanthropic support is an important element in advancing research and education. The University welcomes donations from individuals and organizations to help it achieve its academic mission and to enhance its programs and services to students. In addition to providing an efficient review and acceptance process, this policy and published procedures are intended to provide a framework for the recognition and appreciation to donors in an appropriate and consistent manner, to cultivate future support with the University's current donors and to stimulate interest and support among potential donors.

The University of Alberta is a registered charity and complies with requirements of the Income Tax Act.

Purpose

To support the fundraising efforts related to philanthropy at the University of Alberta. These guiding principles are informed by the Council for Advancement and Support of Education (CASE) Management and Reporting Standards, and requirements from the Canada Revenue Agency (CRA).

PROCEDURE

Summary

Donation Types and Methods of Reporting

1. FUNDAMENTALS

On behalf of The University of Alberta, the Office of Advancement manages the practices that determine the eligibility of certain revenues for inclusion in fundraising achievement totals and whether to classify these revenues as donation, grant, or contract. The goal of these guiding principles is to ensure that fundraising totals report only those transactions that involve true philanthropic intent. The terms and definitions used in this document are for counting purposes only.

1.1 Donations, Grants and Contracts

Donation: a contribution received by the University for either undesignated or designated use in the furtherance of the institution for which the institution has made no commitment of resources or services other than, possibly, committing to use the donation as the donor specifies.

Grant: a contribution received by the University for either undesignated or designated use in the furtherance of the institution that typically comes from a corporation, foundation, or other organization, rather than an individual. The grantor can receive neither benefit nor retain explicit or implicit control over the use of the contribution after acceptance by the University.

Contract: an agreement between the University and another entity to provide an economic benefit for compensation. The agreement is binding and creates a quid pro quo relationship between the University and the entity. Contracts are excluded from fundraising totals. Note: This definition is not intended to address donation annuity contracts or similar charitable instruments.

Additional detail on the differences between donations and grants can be found in section 3.1 of this document.

Donor Control

A donor may not retain any explicit or implicit control over the use of a donation after acceptance by the University. A donor can suggest a department or area to which the University should apply the contribution. However, no further involvement on the part of the donor in directing the use of funds is appropriate after donation acceptance. (Note: This section on donor control does not refer to revocable deferred donations or revocable or conditional pledges, which remain in the control of the donor until the University realizes them and they are countable. This section speaks to the use of all donations once they are actually received by the University.)

The following examples of donor control preclude the counting of a transaction as a donation:

- A donor establishes a scholarship fund but requires that he/she be able to select the recipient.
- A donor makes an undesignated contribution while requiring the University to award a professorship to a specified individual.
- A donor contributes to a fund for a new art museum, provided the University selects an architect of the donor's choice.
- A computer equipment provider establishes a need-based scholarship, provided the University grants an exclusive contract for hardware acquisition to that provider for 36 months.

It is also important to note that consistent with CRA and Board of Governors policies, once a donor makes a donation, the donation will be used consistent with University policies and the terms of reference that established the donation. For example, a donor to a particular department, centre, institute or other entity within the University who is involved on the advisory board of an entity associated with their donation may not request a particular faculty member be hired or that endowment income be used for something inconsistent with the terms of reference of the donation.

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1.2 Exclusions

For the most part, if the CRA does not recognize a transaction as a charitable donation, then it is inappropriate to recognize the transaction as a donation for reporting purposes. There are a few exceptions for reporting which allow counting of irrevocable deferred donations reported at both current and discounted present value and revocable donations and conditional pledges reported at face value.

Common examples of exclusions are as follows:

- Contract revenues including clinical trial funds
- Grants from industry, foundations or government that include contractual obligations
- Contributions of services (i.e., time, skills, effort) are not property and do not qualify
- Government and other related party funding received
- Court ordered settlements/payments are not voluntary and cannot be considered a donation
- Discounts on purchases (that are normally available as educational discounts)
- Donations or pledges previously counted
- Expenses incurred in the transfer of a donation to the University
- Donations to social organizations even if they are affiliated with the University (i.e., Fraternities, Student Clubs)
- Investment earnings on donations after they have been given to the University
- Tuition or Fee payments
- Royalties from affinity agreements

- The payment of membership fees that convey the right to attend events, receive literature, receive services or be eligible for entitlements of any material value

- Surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the CRA when identified to donors as a donation in advance of their ticket purchase

- A payment for a lottery ticket or other chance to win a prize

- Purchase of Goods or Services from the University

- Donations that the donor has directed the charity to give to a specified person or family

- Donations that the donor has directed the charity to give to a non-qualified donee (An entity that is not a registered or listed with the CRA)

- The payment of a basic fee for admission to an event or to a program, whether on behalf of the payer, a dependent of the payer, or someone designated by the payer regardless of whether or not the payment of the fee was voluntary.

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1.3 Fundraising Achievement Reporting Defined

Fundraising Achievement is a measure of the new fundraising commitments made to the University on a fiscal year basis. It is based on the following formula:

New Pledges and Grants + Donations and Matching Donations - Pledge balances written off = Fundraising Achievement

a. New pledges are the total of all appropriately documented pledge commitments received in the fiscal year. The total value of the pledge is included in the year the pledge commitment was made. For example a pledge of $100,000 to be paid over 5 years at $20,000 annually would be recorded at $100,000 in the year the commitment was made. The pledge payments received over this time are not included in Fundraising Achievement results as this would result in duplicate counting. Pledges include Grants and other commitments eligible for recording but not yet received.

b. Donation amounts received and recorded in the fiscal year. These amounts do not include pledge payments as the pledge payment value is captured in the initial pledge commitment. An exception is perpetual pledge payments which are recorded against pledges that have no total value. For example, a donor wishes to contribute $50 monthly on his/her credit card until he/she notifies us of their desire to stop. Donation amounts also include corporate matching donations received.

c. Pledge balances are written off on a regular basis during the course of the year. The amounts that are written off prior to final totals being reported for the year are deducted from the total fundraising achievement amount.

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1.4 Eligible Portions in Split Receipts

Split receipting policy interpretation of existing legislation, introduced in 2002 in Canada, is the method used for calculating the eligible amount of a donation for charitable tax receipting purposes when the donor has received an advantage (consideration) in return for his or her donation.

To determine the eligible amount for charitable receipting purposes, the value of the advantage must be subtracted from the value of the donation. ***Only the eligible amount counts towards fundraising totals***. (See IT 110R3 bulletin and Technical News Bulletin #26 from CRA for details on the appropriate calculation.)

Criteria for split receipting

Where a donor receives an advantage in exchange for a donation, the registered charity must be able to accurately determine the fair market value of that advantage.

The donation, minus the advantage, must still constitute a voluntary transfer of property and meet the intention to make a donation threshold.

Intention to make a donation threshold

In cases where the value of an advantage received for a donation is more than 80% of the value of the donation itself, it is generally considered that there is no true intention to make a donation. Therefore, registered charities cannot issue a receipt where the value of the advantage returned to the donor is more than 80% of the fair market value of the donation.

In rare circumstances, when the intention to make a donation threshold has not been met, there may still have been a clear intention to make a donation. In these cases, the donor must establish to the satisfaction of the CRA that there was an intention to make a donation.

The de minimis rule

Certain advantages are of nominal value, and are considered too minimal to affect the value of a donation. In applying the de minimis rule, advantages that have a combined value that does not exceed the lesser of $75 or 10% of the value of the donation are considered too minimal to affect the amount of the donation.

These advantages do not need to be deducted from the value of donations when issuing receipts. The de minimis rule does not apply to cash or near cash equivalents.

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1.5 Sponsorship

In the context of donations to the University, "**sponsorship**" is that part of a donation for which a donor receives, and the University agrees to provide, a benefit or advantage that is beyond standard University donation recognition practices, including any part of a donation that does not meet CRA guidelines for charitable receipting,

A fair market value for any Sponsorship will be assessed by the Office of Advancement in collaboration with the sponsor and the end-recipient at the University, and the value of the Sponsorship will be deducted from any charitable tax receipt issued in respect of the donation. If the fair market value cannot be determined, a business receipt will be issued.

All academic and administrative units seeking Sponsorships must follow the policies and procedures in the Contract Signing Authority Policy.

For Sponsorship to qualify as a donation for counting purposes, all the factors below must exist:

a. The contribution must be made by a person or corporation

b. The sponsor should not expect nor receive a substantial return benefit for payment other than name acknowledgment and/or promotional value

c. The promotional information should be limited to any or all of these:

- sponsor's location, telephone number, internet address
- value-neutral description of sponsor's products or services
- sponsor's brand/trade name or product/service listings.

There can be no qualitative or comparative advertising of a sponsor's products or services, such as pricing, savings, value, purchase/sale inducements, etc.; and the sponsorship is not to be contingent on event attendance, ratings, or public exposure.

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2. DONATION TYPES AND COUNTING CRITERIA

Donations can be made and accepted in many forms. The information below identifies many of the most common forms a donation may take and explains how they are valued and recorded for counting purposes.

2.1 Donations of Cash, Cheques, Credit Cards and Wire Transfers

Amounts of cash, cheque and wire transfer donations are reported as of the date the University receives them. For donations denominated in foreign currencies, the value is based on the exchange rate in effect on that date as provided by the Cashiers Office. Donations made by credit card are recorded in much the same manner as donations made by cash or cheque, but the legal date of donation is determined differently. Credit card donations represent a loan transaction between the donor and the credit issuer. Therefore, the donation is not a donation until the University receives authorization for the charge from the credit card agency. Therefore credit card donations are counted on the date that the University receives approval from the credit card agency.

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2.2 Donations of Publicly Traded Securities

The University in accordance with CRA requirements, values securities as the average of the high and the low trading price for the day (the date the donor relinquished dominion and control of the assets in favour of the University or trust). If the security was not traded on that date, the University's policy is to use the date of the most recent sale. Neither losses nor gains realized by the University's sale of the securities after their receipt, nor brokerage fees or other expenses associated with this transaction, should affect the value reported. Exactly when a donor relinquishes dominion and control depends upon the method of delivery of the securities to the University.

The University follows CASE's guidance for determining the legal date of donation:

Stock shares transferred electronically are considered a legal donation as of the date the stock is credited to the brokerage account of the University. While a donor may have instructed his or her broker to initiate a transfer on some earlier date, the fact that the broker delayed that transfer or moved the shares into a temporary holding account does not alter the fact that the University did not have control of the stock. In addition, until the stock is credited to the University's account, it is possible for the transfer to be reversed. Therefore, for purposes of these standards, base the donation valuation on the date the stock came under the University's control.

Stock certificates that are mailed to the University are considered to be a legal donation as of the date of postmark for the certificate or signature-guaranteed stock power (a certified signature of the owner of the stock signing the stock over to the University), whichever is later.

Stock certificates that are sent to the University via a third-party provider, such as UPS or Federal Express, are considered to be a legal donation as of the date of receipt by the University.

Where a donor registers stock certificates in the name of the University, the stock is considered to be a legal donation as of the date of registration in the University's name.

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2.3 Closely Held Stock or Private Securities

Donations of closely held stock should be reported at the fair market value placed on them by a qualified independent appraiser as required by the CRA for valuing donations of stocks that are not publicly traded.

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2.4 Donations in Kind

Donations in kind include capital property and depreciable property, personal-use property (tangible property such as collections, works of art, cars, boats, etc.), a residual interest, a right of any kind whatever, a license, a share, securities and inventory of a business. (IT 297 R2) These will be counted at fair market value as determined in accordance with CRA regulations (and must have an independent appraisal if the value is more than $1,000, unless an exemption has been approved by the Office of the Recording Secretary). An appraisal for a donation in kind must be completed by a qualified, competent and independent appraiser in accordance with appraisal standards in Canada.

For all donations in kind, especially items such as equipment and software, report the fair market value unless there is an educational discount value (if an educational discount is offered)—that is, the value the University would have paid had it purchased the item outright from the vendor. This point is key. Regardless of what estimated value a vendor may place on a donation in kind, the recipient should only count as a donation the amount it would have paid for the item or items were they not donated. In addition, donations not recordable as assets in the Financial Statements of the University may not be recorded as part of fundraising achievement totals.

Common examples of donations in kind include:

Deep discounts or bargain sales. If a company offers to sell a product to the University at a "deep discount" or "bargain sale," the company should provide a bill of sale clearly indicating the retail (or educational/non-profit discount) price, less the charitable contribution of the discounted amount, and a net cost. Record the discounted amount as a donation in kind. If, however, the same discount applies to purchases made by the University on a regular basis and is not uniquely identified as a special reduction to be considered as a donation, no donation should be counted. Thus, do not count as donations standard discounts afforded to the University based on the nature of its business or because it is a major or frequent customer. For example, if a corporation routinely provides a 20 percent discount on all purchases made by colleges and universities, that discount does not qualify as a deep discount or bargain sale contribution.

Royalties. The University may receive donations of royalties from property it does not own (such as patents)—or from property that could not be valued and thus was not counted at the time of the donation— the income received resulting from that ownership can be counted and reported each time a payment is received. Do not enter a pledge in anticipation of such payments, as there is no guarantee of the amount or continuation of an income stream. Royalties from vendor affinity agreements, such as alumni credit card programs, are exchange transactions and are not countable. Treat donations from separately incorporated alumni groups as donations from that group, unless the group is a registered supporting organization permitted to act as a fiscal agent of the University, in which case count the donations from the individuals.

Donations of gas, oil, and mineral rights. Ownership of gas, oil, or mineral facilities should be counted and reported at the readily determinable face (or fair market) value. Alternatively, if the fair market value is not known and cannot be readily determined, report the asset in the year the value becomes known. For donations of royalties from facilities not owned by the University, report the amount received each year.

Services. The value of a person's or organization's time or service is not considered a charitable contribution and is not countable, regardless of whether the individual assists as a volunteer or as a professional providing a specialized service (e.g., accounting, legal work, consulting, printing, etc.). The University, in accordance with CRA requirements, asks volunteers providing professional services to bill the institution for the service, accept payment from the institution, and then make a cash donation to the institution. This cash donation is usually eligible for a charitable tax credit. In contrast, an individual could not claim the same the same charitable tax credit for their time.

Software and hardware. Treat irrevocable donations of software or hardware with an established retail value like other donation in kind and count at the educational discount value (if one exists) or the fair market value as long as the agreement qualifies as a charitable donation under the laws of the appropriate tax authority. In so-called "mega-donations," companies seek to use an institution as a test site for newly developed software or hardware with no established retail price, although the company may have its own estimate of the software's value. Institutions entering into such agreements need to ascertain whether they are donations, partial interests, or exchange transactions according to the CRA and these standards.

Large software donations can be highly complex. The following list suggests various methods for assisting in assessment of the countable value of certain components of those contributions:

a. *Value to the University*. Count only software donations that serve the academic or research purpose of the University.

b. *Donation value*. As with other donations in kind, the donor should provide the University with written confirmation of the dollar value of the donation at the educational discount price. If no educational discount is available, it must be so stated in the letter from the donor and the established retail value shall be used. If there is no established retail price for the software, no amount can be counted or reported until such a value is determined, such as by a qualified independent appraisal or when the software product is available for purchase on the open market.

c. *Revocation of donation*. A donor must irrevocably transfer ownership of the property to the University for the property to be considered a donation. There must be no implicit or explicit statement of exchange, purchase of services, or provision of exclusive information.

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2.5 Life Insurance

Count the insurance company's settlement amount for an insurance policy whose death benefit is realized during the year (whether or not the policy is owned by the University) to the extent that no donation amount was counted previously.

Consider donations of whole life insurance policies a donation only if the donor names the University both owner and irrevocable beneficiary of the policy. (Do not count revocable policies.) The University adheres to the following standards in reporting this donation:

- Report partially or fully paid-up life insurance policies as outright donations at the cash surrender value as identified in writing by the insurance provider.

- If the policy is new or not fully paid up at the time of donation, report premium payments the donor makes to the insurer or the University (which in turn pays the premium to the insurer) as outright donations at the full value of the premiums paid. This is consistent with current CRA regulations authorizing such payments as eligible charitable contributions. Documentation of these payments must be received from the insurer and must identify who made the payments.

- Report realized death benefits as donation income for fundraising purposes only if the University has never previously recorded the policy value or any donor-paid premiums as donation income and if the University has not been paying the premiums. If you have already reported the values, do not report as a donation the difference between the previously reported values and the amount of the insurance company's settlement at the death of the donor. This is a gain on the disposition of the University's assets.

If the University receives the proceeds of an insurance policy in which it is the beneficiary, but not owner, report the full amount of the insurance company's settlement at the death of the donor as a donation on the date the University receives the proceeds.

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2.6 Pledges

Pledges are commitments to make future donations. Only the entity exercising legal control over the assets to be given can make a pledge. Therefore, an individual cannot make a pledge that includes anticipated matching contributions from an employer or some other source. Nor can an individual commit funds that may come from a donor-advised fund or community foundation. A countable pledge includes only those funds that will be given by that legal entity.

"Conditional" pledges are those that place requirements on the University to perform some task or take some sort of action that it might not otherwise initiate. A conditional pledge may also depend on some future event over which neither the University nor donor may have control. Examples of conditional pledges are challenge donations, donations for capital projects (if pledge is conditional on either raising other funds or moving forward with the plans to build or renovate), and pledges that are non-binding on the donor's estate.

Report conditional pledges at face value that are pledged during a year if:

- there is a reasonable expectation that the conditions under which the pledge is made will be met during the year period, and

- there is appropriate documentation, most likely in the form of a donation agreement. The documentation should include dollar amounts and a payment schedule. Record conditional pledges as revocable donations.

A pledge may take either of two forms:

- Oral pledges. Count and report in totals only oral pledges made through an authorized telethon or phone-a-thon campaign or program. This assumes that the University mails some form of confirmation notice to the donor immediately following the solicitation period. An oral pledge is not to be confused with a conditional pledge, they are not the same.

- Written pledges of assets. Document pledges of a donor's assets, committing to a specific dollar amount that the donor will pay according to a fixed time schedule.

All pledges require formal written documentation.

The pledge is payable in full no later than 5 years from the date of the pledge. Exceptions to this time period must be approved by the Vice-President (Office of Advancement).

Pledges are reported at the time the pledge is accepted by the University and the Office of Advancement and Alumni Affairs receives the documentation of the commitment.

The pledge value is generally recorded at face value for the total of the pledge in year the commitment is made.

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2.7 Planned/Deferred Donation Instruments

Deferred donations, also called "planned gifts" or "future commitments," play a very important role in the development of an overall giving strategy when a fundraising professional is working with a donor or prospect. These types of commitments differ from outright donations because the University does not realize an asset until some point in the future. For this reason— the uncertainty of timing of realization—separate goals for deferred and outright donations are identified and tracked. Some of the primary deferred donation types include but are not limited to, charitable remainder trust, residual interest, and charitable gift annuity.

Irrevocable Deferred Donations

Irrevocable deferred donations are included in Fundraising Achievement totals at face value, but both current face and discounted present values are reported. Irrevocable deferred donations are recorded separately from outright donations and revocable deferred donations.

Revocable Donations

Revocable donations may be included in Fundraising Achievement totals at face value if pledged during the year, are appropriately documented, and reported separately from outright donations and irrevocable deferred donations. Appropriate documentation might include a commitment in writing from the donor, his or her legal counsel or financial advisor, or a copy of the bequest intention, retirement plan or other document outlining the ultimate source of the donation. Documentation should include a statement about the assumed value of the donation.

If a revocable donation is realized or becomes an irrevocable deferred donation during the year in which it was pledged, the value of the donation should be subtracted from the revocable commitment category and added in the appropriate category as an outright or irrevocable donation. If a revocable donation is realized during a future year, only amounts not attributed to the original year may be counted in the new year.

In the case of externally managed irrevocable life income trusts that allow the donor to change the charitable beneficiary, because the designation is not irrevocably pledged to the University, it should be counted as a revocable donation, at face value, and in the revocable donation category. Record conditional pledges as revocable donations.

Some generally accepted accounting principles for educational institutions provide for omitting the assets of trusts administered by others from the institution's records as the preferred alternative to the above treatment. In other cases, some generally accepted accounting principles require recognizing the assets and related revenue. Because an objective of these standards is to measure fundraising performance, these assets should be included in donation totals regardless of the treatment by the accounting department.

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3. GENERAL GUIDELINES FOR FUNDING MANAGEMENT

3.1 Donations and Grants

The definitions below provide additional detail to section 1.1 in outlining the differences between donation and grants.

3.1.1 Donations

A donation is a contribution received by the University for either undesignated or designated use in the furtherance of the institution for which the institution has made no commitment of resources or services other than, possibly, committing to use the donation as the donor specifies (see *Section 1.2*, "Donor Control"). The contribution is a nonreciprocal transfer in that there is no implicit or explicit statement of exchange, purchase of services, or provision of exclusive information. If the donor receives benefits in return for the contribution, the true value of the donation is the amount over and above the fair market value of any benefits received as identified under split receipting guidelines by CRA. Whether or not the University has an obligation to report to the donor how a donation is used or invested does not preclude the transaction from being identified as a donation, such reporting is an important element of good donor stewardship.

3.1.2 Grants

A grant is a contribution received by the University for either undesignated or designated use in the furtherance of the University that typically comes from a corporation, foundation, or other organization, rather than an individual. The University may determine that what a donor calls a grant is, for fundraising recordkeeping, a donation.

Grants normally fall into two categories, both of which are philanthropic in nature and thus countable:

- *Non-specific grant*: a grant received by the University that did not result from a specific grant proposal. The University does not commit specific resources or services and is not required to report to the donor on the use of the funds. It is this type of grant that the University may opt to designate as a donation for internal accounting purposes.

- *Specific grant*: a grant received by the University resulting from a grant proposal submitted by the University. The University commits resources or services as a condition of the grant, and the grantor often requests an accounting of the use of funds and of results of the programs or projects undertaken. Note: The grantor's requirement of regular status reports or other reports does not negate the philanthropic (and countable) nature of a specific grant.

Note: any grant determined to be sponsored research will be subject to charges of overhead and other policies of the Office of the Vice-President of Research. Sponsored research is funded by an external agency either through a grant or contract typically in response to a request or proposal. A formal agreement is entered into by the University of Alberta and the sponsor, and the agreement is usually comprised of a specified statement of work with a related deliverable.

Where potential questions or ambiguities arise, the Vice-President (Office of Advancement) and Vice-President (Research) will coordinate activities closely in order to avoid multiple/competing solicitations from the same sources.

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3.2 Guidelines for Handling Certain Types of Donations

Beyond the specific requirements found in the standards for the purposes of reporting, the University offers these additional recommendations for handling the following types of donations:

- deferred donations
- donations made by credit card
- donations of closely held stock
- donations of life insurance
- matching donations
- government funds

3.2.1 Deferred Donations

The University records deferred donations at both their face value and their discounted present value for fundraising achievement purposes. It is useful to report deferred donations at both the face value and discounted present value for the following reasons:

- Reporting both values accurately and transparently reflects both the actual funds donated (face value) and the long-term benefit to the University (present value) by a standardized methodology.
- Reporting both values indicates to benefactors that the University welcomes their support in the form and at the time most convenient to the donor.
- Reporting both values signals that the University recognizes the importance of its fundraising efforts both for its near-term goals and its long-term aspirations.
- Reporting both values ensures that the contributions of all fundraising staff are appropriately valued, whether their efforts result in immediate or future contributions.

3.2.2 Donations Made by Credit Card

Because credit card donations should not be counted or reported until the date that authorization is received, and the University offices are closed for the holidays or winter break just prior to the end of the calendar year, donors should be encouraged to make these year-end credit card donations through the secure online donation processing system to ensure that processing occurs prior to calendar year end. Should a credit card donation be received during this period by mail, fax, or e-mail (the latter two are highly discouraged for security reasons) the donor's attempt to make a donation before the turn of the year will have been thwarted. This may result in a potentially difficult donor relations situation.

3.2.3 Donations of Life Insurance

The donation of a whole life insurance policy is a relatively inexpensive way for a donor to leave a significant future donation to the University. A new policy may be taken out on the life of a younger donor to create a future major donation to a charity, with the cost of the premium being a small fraction of the value of the policy. Donors may also have existing policies that are no longer needed for their original purposes— for instance, a policy to pay off a mortgage in the event of an untimely death that is unnecessary once the mortgage has been paid. By changing the policy ownership to the charity and naming the charity as beneficiary, the donor can contribute the existing cash value and subsequent (if any) premium amounts to the charity to maintain the policy's face value or, if the donor chooses not to continue the payments, the University can regard the policy as "paid up" with a lower face value. The University may opt to continue those premium payments if it desires.

3.2.4 Corporate Matching Donations

In recording and counting these contributions, the University must take care to meet the requirements of the matching entity. Often a company will indicate that its donation is "undesignated." Usually, this does not mean that the donation must go to an undesignated account using accounting terminology. It does mean that the company has not placed any restrictions on the donation, and you can apply the donation to any charitable purpose at the qualified organization. The University will credit the same fund as the original donation made by the donor. Some corporations have restrictions on what their matching funds support. The University must determine, in these cases, a use of the funds that would be acceptable to the company.

3.2.5 Government Funds

While not donations, funds awarded to the University by government entities are very important in helping achieve strategic goals. They often are secured competitively with the help of fundraising staff and the may be specifically intended to leverage donations. However, by its very nature, government funding differ fundamentally from philanthropy and so the University does not count federal or provincial government funds in fundraising reports. On the other hand, donations/grants from municipal and regional (county governments contributed towards endowments may count in fundraising totals pending review and approval of each contribution by the Vice-President (Office of Advancement).

3.2.6 Related Party Funding

The University does not include contributions received from organizations deemed to be a related party to the University in its fundraising totals. This includes all Provincial Government related organizations.

3.2.7 Guidelines for Handling Pledges

The University of Alberta uses the following guidelines for pledge documentation, duration, and review.

3.2.7.1 <u>Pledge Documentation</u>

It is necessary that the donor stipulate the amount, purpose, and payment period in a written document to the University. This should be done on the approved pledge form or donation agreement. The pledge form or donation agreement should be signed by the donor Alternatively, you may attach sufficient back-up from the donor regarding the pledge to the pledge form (i.e., letter).

3.2.7.2 <u>Pledge Duration</u>

The pledge-payment period should not exceed five years. This may not always be practical from a donor- relations perspective and in such cases, pledges of a lengthier time period may be recorded with Vice-President (Office of Advancement) approval.

3.2.7.3 <u>Pledge Write-Off Process</u>

As a matter of best practice in pledge accountability, an annual review of all open pledges to ascertain their viability and the likelihood of their fulfillment will be conducted.

Once all regular pledge reminder processes are exhausted, overdue pledges will be handled as follows:

(i) A list of $1,000+ overdue pledges will be shared with the Vice-President (Office of Advancement) on a quarterly basis for review and direction.

(ii) Pledges under $1,000 and 60 days past due will be written off through the Annual Giving Office.

(iii) If the donor has a Prospect Manager, the Prospect Manager will be notified of pledges over $1000 and 60 days past due and will be written off with the consent of the Prospect Manager and/or the appropriate development officer. Prospect Managers will document contacts with donors regarding overdue pledges

<u>NOTE</u>: The preferred alternative to writing off a pledge is a revised pledge payment schedule, coordinated and confirmed by the Prospect Manager and/or the appropriate development leader.

(iv) Pledges of $100,000 to be written off also require the consent of the Vice-President (Office of Advancement).

3.2.8 Guidelines for Donor Recognition

The standards that institutions must follow for reporting fundraising totals are based on who is the legal donor. Still, institutions are free to bestow recognition (soft credit) upon their donors as they see fit. With that in mind, the following guidelines will be used by the University of Alberta for allocating soft credit.

Three types of credit can be allocated a donation/pledge in the Advance database:

3.2.8.1 *Hard Credit (Legal Credit)* is given to the legal donor, the individual or organization that is transferring ownership of the donation to the University. This amount is equal to the amount of the donation and will be allocated according to CRA requirements for receipting.

3.2.8.2 *Soft Credit* is given to individuals and organizations that should be recognized for the donation and is used for recognition purposes only. The soft credit for each donor recognized is equal to the amount of the donation (donations from community or public foundations are an exception to this rule). Soft credit for a donation can be given to more than one individual or organization. Matching donation credit is used to link matching donations to specific donor donations previously received. This is simply another form of soft or recognition credit.

There are two types of matching credit:

3.2.8.3 *Corporate Matching Donation* – this is a program where specific corporations agree to match the donations of employees, under certain conditions. In this case the corporate matching donation is hard credited to the corporation and the donor being matched receives matching donation credit.

3.2.8.4 *Access to the Future Matching* – In 2005, the Government of Alberta established the Access to the Future program to match specific donations from individual and corporate donors to the University of Alberta. Determination of which donations will be matched is determined by University Administration, with recommendations by the Vice-President (Office of Advancement). Those donations matched, whether individual or corporate will receive matching credit.

3.2.9 Soft Credit Guidelines

3.2.9.1 *Spouse/Partner Relationships* – Donations and pledges will automatically be soft credited to both individuals if relationship is known. Donors may ask for their donations not to be soft credited with their spouse.

3.2.9.2 *Businesses owned or controlled by an individual including professional corporations* – Soft credit should be allocated to the individual(s) if the relationship is known.

3.2.9.3 *Personal or Family Foundations* – Soft credit can be allocated to family members at the request of the Foundation or the family members (Prospect Manager responsible for identifying soft crediting).

3.2.9.4 *Donor-advised Funds* - Donations made through a donor-advised fund are a donation from an organization, not an individual. However, the donor who made the original donation to the fund (and that person's spouse or partner, if applicable) receives soft credit for the amount the fund contributed to the University.

3.2.9.5 *Community and Public Foundations* - If the foundation provides amounts and names of their donors, the University will soft credit the individual or organization that made the initial donation. If original donor information is not provided by the foundation soft credit will simply be applied to the Foundation.

3.2.9.6 *Public Corporations* –Soft credit will be allocated to the corporation not to individuals instrumental in assisting with the donation. International family held corporations with headquarters outside of Canada will be reviewed on a case by case basis for appropriate soft credit allocation to individuals.

3.2.9.7 *Donations made in Honour or in Memory of an individual* - The individual being memorialized is associated with the transaction but not given soft credit value.

3.2.9.8 In all instances listed above the soft credits identified are in addition to the soft credit applied to the Primary donor (writer of the cheque).

3.2.10 Matching Credit Guidelines

3.2.10.1 *Corporate Matching Donations* – Many companies now use foundations and donor-advised funds to administer their matching donation programs. Such donations count as coming from the legal donor (usually the foundation or fund). In such cases, matching credit is given to the donor whose donation was matched.

3.2.10.2 *Access to the Future Matching Grants* – Although not reported in fundraising totals, the donor being matched is recognized with a matching credit.

There is a shared responsibility for all members of the Development and Alumni Relations community to ensure key information is recorded in the Advance database to allow crediting for recognition purposes (i.e., spousal information, individual owners of specific corporations).

3.2.11 Lifetime Giving

Lifetime Giving is the total of all donations attributable to a donor for recognition purposes. Lifetime giving is based on standard formula and the following calculation is used to determine this total.

Household giving (joint donations) + Related Corp. Giving + Corp Matching + Pledges - pledges write-offs

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DEFINITIONS

Any definitions listed in the following table apply to this document only, with no implied or intended institution-wide use. **[▲Top]**	
Donation	A contribution received by the University for either undesignated or designated use in the furtherance of the institution for which the institution has made no commitment of resources or services other than possibly, committing to use the donation as the donor specifies.
Grant	A contribution received by the University for either undesignated or designated use in the furtherance of the institution that typically comes from a corporation, foundation, or other organization, rather than an individual. The grantor can receive neither benefit nor retain explicit or implicit control over the use of the contribution after acceptance by the University.

Contract	Agreement between the University and another entity to provide an economic benefit for compensation. The agreement is binding and creates a quid pro quo relationship between the University and the entity. Contracts are excluded from fundraising totals. Note: This definition is not intended to address donation annuity contracts or similar charitable instruments.
Sponsorship	When a business makes a donation to a charity and, in return, receives advertising or promotion of its brand, products or services.
Donations in Kind	Include capital property and depreciable property, personal-use property (tangible property such as collections, works of art, cars, boats, etc.), a residual interest, a right of any kind whatever, a license, a share, securities and inventory of a business.
Pledges	Commitments to make future donations. Only the entity exercising legal control over the assets to be given can make a pledge.

FORMS

There are no forms for this Procedure. [▲Top]

RELATED LINKS

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Canada Revenue Agency (Government of Canada)

Centres and Institutes Policy (UAPPOL)

Charitable Fund-Raising Act and Regulations (Government of Alberta)

Conflict Policy - Conflict of Interest and Commitment and Institutional Conflict (UAPPOL)

Contract Review and Signing Authority Policy (UAPPOL)

Creation of New Awards and Bursaries for Undergraduate Students Procedure (UAPPOL)

Freedom of Information and Protection of Privacy Act (Government of Alberta)

General Faculties Council's Discrimination and Harassment Policy (University of Alberta)

General Faculties Council's Reasonable Accommodation Policy (University of Alberta)

Naming Policy (UAPPOL)

Philanthropic Naming of Academic Entities Procedure (UAPPOL)

Prospect Management Policy (UAPPOL)