

## **GIFT ASSESSMENT FEE**

One of the goals of Rutgers executive leadership is to transform the university to a higher level of national prominence. To help achieve this goal, Rutgers will need to raise substantially more money from private sources, especially as the state of New Jersey continues to face revenue shortfalls and is unable to significantly increase its funding of higher education. Rutgers has been developing strategies to obtain increased funding from private sources including individuals, corporations, and foundations in order to invest in the university and its transformative goals.

Effective October 1, 2006, a gift assessment fee policy was approved for implementation as part of the funding strategy that will build capacity for increased private donations to Rutgers University and to the Rutgers University Foundation. The gift assessment fee is one of nine resources identified to support university fundraising efforts. Others include direct university support, an endowment management fee, and special allocations from the university's governing boards. All contributions received from donors are subject to the fee.

Many universities nationwide include a gift assessment fee over and above indirect costs. Grant-making associations, corporations, and foundations have been very supportive of this action as they consider this practice an investment in the future advancement efforts of the organization.

The assessment fee will help generate the assets needed to meet the increasing demands for private support to the Foundation and to support the rising costs related to private fund raising. It will allow for the necessary expansion of its fundraising initiatives and development efforts. Without the efforts of the Foundation in obtaining these funds, there would be far fewer private gifts to the university, resulting in fewer scholarships, fellowships, programs, and research funds. These funds are essential in the efforts to transform Rutgers University to a higher level of excellence.

### **The policy maintains the following guidelines:**

- **All gifts of \$10,000 or more received by either Rutgers University or the Rutgers University Foundation will be subject to a 5% assessment fee. All gifts below \$10,000 will be subject to a 10% assessment fee.**
- **Donors will be notified that a portion of the gift received has been allocated to cover the cost of fundraising.**
- **Donors will receive credit for the full amount of their gifts.**
- **For gifts and grants from non-profit foundations and corporations, the assessment fee applies only to foundation and corporate philanthropic grants and must be added to the proposal. The fee is requested in addition to the allowable F&A.**

These guidelines serve to ensure that funds are used specifically to support university fundraising initiatives and activities, and to represent the gift assessment policy to donors.

Any questions regarding this gift assessment fee policy can be directed to Janine Purcaro, Chief Financial Officer, of the Rutgers University Foundation at 732-932-2223.

# **POLICY ON THE ASSESSMENT FEE ON GIFTS AND NON-GOVERNMENTAL GRANTS TO RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY AND THE RUTGERS UNIVERSITY FOUNDATION**

**Effective:** October 1, 2006

**Issuing Office:** Office of the Chief Financial Officer

## **I. PURPOSE/SCOPE**

Rutgers, The State University of New Jersey has made a commitment to the comprehensive development efforts of the Rutgers University Foundation in order to meet increasing demands for private support to the institution. The amount of private support to Rutgers has increased substantially due to the efforts of the Rutgers University Foundation and the benefits to our academic programs have been evident. In order to recover a portion of the increasing costs of the private fund raising efforts at Rutgers, an administrative fee will be assessed on all gifts and non-governmental grants to Rutgers, The State University of New Jersey and the Rutgers University Foundation.

Fund raising at Rutgers includes not only the direct costs of soliciting contributions by Development Officers and other campus representatives, but also includes processing and accounting of gift funds. At Rutgers, all gifts and non-governmental grants should be deposited and processed through the Rutgers University Foundation.

The fee percentage may be reviewed and revised periodically. The options for methods of payment of the fee are described below. The administrative fee is not designed to replace Rutgers indirect cost recovery for sponsored programs.

## **II. POLICY STATEMENT**

Effective October 1, 2006, an administrative fee of 5 or 10% will be assessed on all outright gift and non-governmental grants (see exemptions below) and pledge payments, made to either Rutgers, The State University of New Jersey or the Rutgers University Foundation. The purpose of the fee is to strengthen the development program and partially defray administrative costs. The fee percentage may be reviewed annually. The options for methods of payment of the fee are described below (see IV.A.).

Gifts and payments on pledges received after October 1<sup>st</sup>, 2006, along with grants awarded from non-governmental sponsors for proposals submitted after October 1<sup>st</sup>, 2006 are subject to the gift fee.

### **Policy**

- This assessment applies to all cash gifts and nongovernmental grants except as outlined by exemptions below.
- A 5% assessment will be levied on all gifts and pledge payments (on pledges made subsequent to the effective date of the policy) of \$10,000 or more received either by Rutgers University or the Rutgers University Foundation.
- All gifts below \$10,000 – primarily those raised by the Annual Fund – will be subject to a 10% fee.
- Pledges made before October 1, 2006 – and their subsequent pledge payments --will not be subject to this fee. Grants for which proposals were submitted before October 1<sup>st</sup> will likewise be grandfathered.
- Gift receipts and stewardship reports will inform the donor that a portion of the gift received has been allocated to cover the cost of fundraising.
- Donors will receive credit for the full amount of their gifts.
- Deferred gifts, such as charitable gift annuities, trusts and bequests will be assessed only at the time they are realized.
- Grants received from non-governmental sponsors, such as corporations and foundations, will be assessed as follows:

- The gift assessment fee of 5 or 10% will be applied to all awards received from foundations and other private not-for-profit sponsors, except where there are pre-existing published guidelines that prohibit it.
- If the gift assessment fee is allowable, it must be added to the proposal budget after the direct and indirect (F&A) costs have been applied.
- All grant applications must also include the full applicable and available Facilities & Administrative (F&A) costs, in accordance with standard ORSP policy.
- If the assessment fee is not allowed by the sponsor, but F & A is, the fee will be deducted from the F&A granted in the award.
- If the F&A awarded is less than the assessment fee due, the entire F&A will be distributed to the RUF and the assessment fee will be considered paid in full for that grant.
- If the assessment fee or F & A is **not** allowable **and** there are published guidelines to that effect, then the grant will not be subject to the assessment fee. In the event that such guidance is not publicly available, the PI must obtain documentation **no later than** the time of award stating that the fee and F&A is not allowed and that this policy is applied uniformly to all awards made by the sponsor.

## **Exemptions**

Fees will not be assessed on:

- a. Documented gift agreements, including documented pledges, executed prior to October 1, 2006.
- b. Non-cash gifts (gifts-in-kind) made to the University that are to become inventoried useable assets of the University;
- c. Governmental grants or subgrants where the prime source of funds is governmental or to any contracts.
- d. Membership fees
- e. Cost sharing

### III. DEFINITIONS

**Current use fund:** a fund established to receive and expend gifts intended by the donor to be used for current purposes or programs; a fund that is not an endowment

**Endowed fund:** a fund established to receive and invest gifts intended by the donor to be used for restricted purposes or programs; an endowed fund protects the gift in perpetuity by responsibly investing the principal and distributing an annual payout realized from a portion of the investment income allowing the fund's real value to increase over time

**Gift:** the charitable and irrevocable transfer of money or property that is voluntary and motivated by something other than consideration or expectation of financial return or contractual obligation

**Gift-in-kind:** the charitable and irrevocable transfer of property or service that is voluntary and motivated by something other than consideration or expectation of financial return or contractual obligation

**Grant:** generally, a grant can have some or all of the following characteristics, a provision for audits by or on behalf of the grantor; grantor is entitled to receive some consideration such as a detailed technical report of research results or a report of expenditures, testing or evaluating of proprietary products is involved, the research is directed to satisfying specific grantor requirements (e.g., terms and conditions stating a precise scope of work to be done rather than a general area of research), a specified period of performance is prescribed or termination is at the discretion of the grantor, funds that are unexpended at end of period shall be returned to the grantor, patent or licensing rights are requested by the grantor.

**Pledge:** the promise of a gift made legally binding by a signed agreement

**Principal:** the actual amount of the gift; often referred to as "corpus" of an endowment

## **IV. PROCEDURE DETAILS**

### **A. Methods of Payment**

1. Fees from the gift principal for all individual gifts to endowments and to current use funds will be deducted at the time the gift is transferred to the University. Donors may elect to provide for the fee by making an additional gift equivalent to the fee.
2. When the terms of the gift specifically disallow fees or cost recovery, the academic unit benefiting from the gift may pay the fee from another discretionary departmental funding source, rather than the fee being deducted from the gift principal, University Accounting and/or the Foundation Accounting department will hold the gift in an undistributed cash account until notified in writing by the benefiting department of the account to be charged the fee.

### **B. Disclosure to Donors**

Disclosure of the fee policy is made to donors on all gift receipts. Additionally, written or oral disclosure of the fee to donors is encouraged at the time of solicitation. Fee information should be included in any proposals or gift documents issued to prospective donors. Appropriate disclosure language for fund raising literature or letters of gift purposes is as follows:

*“A portion of all donations will be used to further advancement efforts on behalf of Rutgers.”*

Requests to use modified language must be directed to the Rutgers University Foundation for approval.

## **C. Responsibilities**

### **Departmental**

- a) Submit every gift to the Rutgers University Foundation for processing in accordance with University policies and procedures.
- b) Communicate in writing to the University Accounting and/or the Foundation Accounting department if the fee is to be paid from a source other than the gift itself.

### **Rutgers University Foundation**

- a) Inform potential donors of the fee via solicitation materials or in personal discussion.
- b) Issue gift receipts with the statement informing donors of the fee policy.
- c) Utilize the revenues generated by the fee to provide enhanced services and additional fundraising resources to the entire University community.
- d) Process all gifts in accordance with University policies and procedures. Work in consultation with the University Accounting Department to report on and assess gifts and fees.
- e) Assist faculty in identifying sponsor fee policies.
- f) Sign as authorized RUF officials on the ORSP endorsement form, signifying RUF approval of the budget and fee assessments included (or not) in the grant application.

### **University Accounting**

- a) Record the fee in the appropriate expense account by department/unit and transfer the assessment fee to the Rutgers University Foundation.

#### **IV. GETTING HELP**

Questions regarding this policy may be directed to the Office of the University Controller. Phone: 732-445-5012

Questions regarding gifts or policy procedures may be directed to Office of the Chief Financial Officer of the Rutgers University Foundation. Phone: 732-932-2223 ext. 655

Questions regarding grants applications may be directed to the Office of Research and Sponsored Programs at 732-932-0150.

Questions regarding processing the gift fee on grant awards may be directed to the Division of Grant and Contract Accounting. Phone: 732-932-0165 ext. 2218

#### **V. APPLICABILITY AND AUTHORITY**

The Board of Governors of Rutgers, The State University of New Jersey and the Board of Overseers of the Rutgers University Foundation have approved this policy and delegate responsibility for administration and adherence to the University's Chief Financial Officer and the President of the Rutgers University Foundation. Periodic review and revision of fee percentage or other administrative changes are subject to approval by the University Boards. Routine procedural changes are subject to review and approval by the Executive Vice President for Academic Affairs or the University Chief Financial Officer.



Date: **March 8, 2007**

To: **Rutgers University Faculty and Staff**

From: **Carol Herring, Philip Furmanski, Roger Dennis and Steven Diner**

Subject: **Update on Gift Assessment Policy**

Since the gift assessment policy was first announced in October there have been a number of inquiries regarding the application of the policy. This memo is meant to respond to those inquiries and to clarify the issues that have been brought forward.

All contributions received from individuals, corporations and foundations are considered either gifts or grants. Any contribution that meets the definition of a gift as outlined by the Internal Revenue Service (whether it comes from an individual, foundation or corporation) will be subject to the gift assessment fee.

The application of the gift assessment fee to grants from private foundations has been of particular concern. The information below is intended to clarify and amend the portion of the policy related to these grants.

#### Policy Revision

- The gift assessment fee will apply to all foundation grants, except where a foundation has existing published guidelines that prohibit it.
- If the gift assessment fee is allowable, it must be added to the proposal.
- All grant applications must also include the full applicable and available F & A, as per ORSP policies and procedures.
- If the gift assessment fee is not allowed but F & A is, the fee will come off the top of the F&A granted and the remainder will be split according to the indirect cost recovery formulas already in place.
- If the F&A granted is less than the assessment fee due, the total amount granted will be considered a full payment of the assessment fee for that grant.
- In the event that neither the assessment fee or F & A is allowable *and* there are pre-existing published guidelines to that effect, then the grant will not be subject to the assessment fee.

For your reference, we are providing you with links to the policies of two peer institutions which have some relevant guidance on this topic, as well as the Internal Revenue Website where you can obtain further clarification on the definition of a gift.

Penn State Guidelines for Gifts, Grants and Contracts:

<https://guru.psu.edu/policies/RAG04.html>

University of Wisconsin's F&A Exception List:

<http://www.rsp.wisc.edu/rates/fnaexcept.cfm>

Internal Revenue Service Publication 526:

<http://www.irs.gov/pub/irs-pdf/p526.pdf>

Thank you for working with us. Please let us know if you have further questions.