

REVENUES – CONTRIBUTIONS AND OTHER KINDS OF RECEIPTS

Control Objective:

To ensure that all receipts are promptly deposited, properly recorded, reconciled, kept under adequate security, and to ensure compliance with any and all donor restrictions.

All literature **MUST** identify the University System of Maryland Foundation, Inc. (*in accordance with guidelines established by the Board of Regents*) and must be reviewed by the USM Foundation **PRIOR** to the activity or event. The USM Foundation reserves the right to refuse deposits where the literature has not been submitted for review.

Return of Contributions:

The USM Foundation will not return contributions received. While we are aware that some charities will return charitable gifts, doing so is a technical violation of the 501(c)(3) rules. A 501(c)(3) organization is required to use its assets solely and exclusively to advance its 501(c)(3) purposes. Since a gift to the USM Foundation is a completed gift, the USM Foundation is then under an obligation to use the funds to advance its 501(c)(3) purposes.

Sources of Revenue:

The major source of revenue received is from individual and corporate contributions and grants. Revenue is also received from special fundraising events, sales of merchandise, fees for conferences and seminars, industrial affiliates programs, fees for performance, etc.

Forms of Acceptable Revenue:

The USM Foundation accepts monies via EFT, wire transfer, check, stocks, bonds, or credit card. **We do not accept cash deposits. Please convert any cash you receive to a check.** (*See section on REVENUES – MONETARY METHODS OF GIVING for more detailed instructions.*)

Checks may be accepted for processing if they are made payable to:

University System of Maryland Foundation, Inc.

or

To one of the institutions, as specified below:

UMBC Fund/Foundation

UMES Fund/Foundation

UMBI Fund/Foundation

UMUC Fund/Foundation

UMCES Fund/Foundation

CHECKS NOT MADE PAYABLE AS SPECIFIED ABOVE CANNOT BE PROCESSED
EXCEPT AS NOTED IN THE SECTION UNDER *General Contributions – Procedure for Processing.*

Board of Regents Policy re Solicitations:

Board of Regents Policy requires that all solicitations for contributions, conferences and seminars, special fundraising events, grants or other such activities where the funds are to be deposited in a USM Foundation account **MUST** be identified as USM Foundation activities.

*** Suggested Wording for Solicitation Literature:**

Board of Regents' policy stipulates that "all correspondence...shall be clearly identified as an activity of that foundation...." Samples of suggested wording that would be appropriate are noted below:

"This event is an activity of the University System of Maryland Foundation, Inc. (USM Foundation). Funds earned will be managed by the USM Foundation for the benefit of (*particular program*). Please make your check payable to the University System of Maryland Foundation, Inc." **THIS IS THE PREFERRED VERBIAGE.**

OR

"This (*Program / Event / Activity*) is an activity of the University System of Maryland Foundation, Inc. Please make your check payable to the University System of Maryland Foundation, Inc."

OR

"The funds raised will be administered by the University System of Maryland Foundation, Inc. for the benefit of (*Program or University*). Please make your check payable to the University System of Maryland Foundation, Inc."

❖ **GENERAL CONTRIBUTIONS**

Contributions may be received by a USM institution, school, department, or directly at the USM Foundation Business Office. Upon receipt of a contribution, the procedures are as follows:

Procedure for Processing:

** Review checks as to payee and restrictively endorse them for deposit to the USM Foundation.

NOTE: If the check received from a donor in payment of a pledge is made payable to an institutional program or to the institution itself, and the check is for a program/activity for which the USM Foundation has an account, the USM Foundation can accept the check for deposit IF one of the following is provided:

➔ A copy of the pledge card **signed by the donor** that includes the statement “***Make check payable to the University System of Maryland Foundation, Inc.***”
(*The signed pledge card serves to confirm it was the donor’s intent that the check be deposited in the USM Foundation.*)

OR

➔ If no pledge card exists and the check is from an individual, a letter signed by the check signer stating that it is his/her intention to have the funds deposited in the USM Foundation.

If no pledge card exists and the check is from a company / business, a letter signed by the same person who signed the check stating that it’s the company’s intention to have the funds deposited in the USM Foundation. Additionally, the tax ID # and name of the payee in the company’s records must be that of the USM Foundation.

THIS PROCEDURE IS ACCEPTABLE FOR ONLY THE INITIAL PAYMENT FROM THE COMPANY.
ANY SUBSEQUENT CHECK WITH AN INCORRECT PAYEE WILL NOT BE ACCEPTED.

OR

➔ A signed Memorandum of Understanding is on file.

** Forward funds to be deposited to the appropriate Office of Institutional Advancement (OIA) with the transmittal form required by the institution.

(*OIA enters all contributions to ensure the institution’s fundraising totals are complete.*)

⇒ Include the name and number of the account to which each contribution is to be deposited.

⇒ Attach documentation that verifies the contributive nature and purpose of the gift, unless funds are for an already established endowment or a payment on an already recorded pledge.

Note: USM Foundation personnel can post contributions that are received by the USM Foundation Business Office, provided they are not designated for a specific USM institution, and provided documentation supporting the gift is included.

** Process all funds within 48 hours of receipt, unless there is a problem (*i.e., not knowing the purpose of the contribution, payee incorrect, etc.*).

Retain unprocessed funds in a locked file. If problems are not resolved within 10 business days, checks should be returned to the donor or deposited in a university account.

- ** Separately batch contributions to the USM Foundation from those to an institution.
- ** File supporting documentation (*i.e., a letter from the donor and/or a copy of the check*) with the Batch Detail Report at each OIA.
- ** Remit checks and two copies of the Batch Detail Report to the USM Foundation.
- ** When received, the USM Foundation Accounting Associate does the following:
 - ⇒ Signs the Batch Detail Report, indicating receipt of the checks, subject to verification;
 - ⇒ Returns the signed copy to OIA;
 - ⇒ Reconciles the checks to the transmittal documentation;
 - ⇒ Prepares the deposit ticket and the USM Foundation deposit form;
 - ⇒ Closes the batch on Advance. This action releases the "gift receipts" (*they are now ready for printing*) and automatically transfers the records to the USM Foundation's accounting software, using the prefix of CR9 for cash or checks and the prefix CR7 for credit card charges;
 - ⇒ Reconciles the reports from the accounting system to the Batch Detail Report;
 - ⇒ Prepares the bank deposit;
 - ⇒ Sends the deposit to the independent custodian of the USM Foundation funds.

Gift Receipts:

- ** Gift Receipts are printed and mailed to the donors by the OIA office that entered the gift.

The Revenue Reconciliation Act of 1993, The American Jobs Creation Act of 2004, and the Pension Protection Act of 2006 include contribution substantiation requirements. All donors who wish to take a deduction for charitable contributions of \$250 or more in cash and non-cash donations must have receipts, and those receipts must indicate whether the donor received any goods or services in exchange for that "gift." IRS policy **suggests** the following language, which we recommend:

*** "The amount of your contribution that is deductible for Federal income tax purposes is limited to the excess of the amount contributed by you over the value of the goods and services that you receive. We estimate the value of those goods and services to be \$_____ and therefore you may deduct any contribution in excess of that amount."**

Note: The USM Foundation usually prints and mails Gift Receipts for contributions received from USM Foundation Board members and for contributions of \$1,000 or more that are specifically designated for USM, university-wide or USM Foundation purposes. These gift receipts are reviewed by the Vice President for Finance and then given to the President of the USM Foundation, who sends the receipt to the donor along with a personal letter.

- ** Each USM institution has its own procedures for stewardship of its large donors.

❖ **MATCHING GIFTS CONTRIBUTIONS**

The USM Foundation Business Office processes only those matching gift forms that relate to contributions in the Advance database.

Procedure for Processing:

- ** Forward matching gifts forms with the Batch Detail Report and checks to the Accounting Associate.

- ** The Accounting Associate who processes matching gifts:
 - ⇒ Reviews all matching gift requests to ensure compliance with individual company policy as to eligible gift, donor, purpose, and recipient institution/organization;
FORMS WILL NOT BE PROCESSED IF THEY DO NOT MEET COMPANY POLICY. THOSE THAT DO NOT QUALIFY WILL BE RETURNED TO THE APPROPRIATE OIA.

 - ⇒ Reviews the donor's record to confirm that the donor and the specific gift are recorded and the donor is linked with the matching Gift Company;

 - ⇒ Links the gift to the matching gift company;

 - ⇒ Completes the form, including signature by the VP for Finance, and mails it to the company matching the gift;

 - ⇒ Files a copy of the form under the company name;

 - ⇒ Enters the matching gift in Advance when it is received.

Gift Receipts:

The USM Foundation prints and mails Gift Receipts for matching gifts it has received and processed.

Authorized signers – Corporate Matching Gift Forms:

For matching gifts that are to be processed by or through the USM Foundation:

UNIVERSITY SYSTEM OF MARYLAND FOUNDATION, INC.

Leonard R. Raley, President

or

Joyce Romanoff Marx, Vice President for Finance

For matching gifts that are not to be processed by or through the USM Foundation:

THE UNIVERSITY SYSTEM OF MARYLAND

Vice President for Institutional Advancement

(at the appropriate USM institution)

❖ REVENUES THAT ARE NOT CONTRIBUTIONS

Revenues from sources such as those identified below are not contributions. They may be received by a USM institution, school, department, or directly at the USM Foundation Business Office.

- Auctions
- Conferences & Seminars
- Part Gift / Part Non-Gift
- Raffles
- Sales
- Special Fundraising Events

All literature **MUST** identify the University System of Maryland Foundation, Inc. (*in accordance with guidelines established by the Board of Regents*) and must be reviewed by the USM Foundation **PRIOR** to the activity or event. The USM Foundation reserves the right to refuse deposits where the literature has not been submitted for review.

Note: Event literature is maintained in a binder for the applicable fiscal year, filed by account number.

Procedure for Processing:

- ** **Submit all literature advertising events to the attention of the USM Foundation Staff Accountant and Grant Administrator for review PRIOR to printing the literature** or it may be impossible for the USM Foundation to accept and deposit the funds. He/she will inform the department as to whether the literature meets the criteria or if it needs to be modified.
- ** Forward checks, supporting documentation and the NON-GIFT DEPOSIT FORM (*see Appendix page A-10*) directly to the USM Foundation Business Office for processing. Before remitting, be sure that all of the following information is included on/with the form:
 - ✓ Revenue code
 - ✓ Purpose stated
 - ✓ **Legible** signature
 - ✓ Check has been made payable to the USM Foundation or to the Account Name
 - ✓ Supporting documentation is attached (i.e., event literature)
- ** After the USM Foundation receives the check, the paperwork is processed as outlined in the GENERAL CONTRIBUTION section of this manual.

➤ Auctions:

Auctions provide persons the opportunity to bid openly or silently for one or more items. The revenue from auctions is tax deductible to the extent that payment for the item exceeds the value of the item. **The purchaser must be informed of the value of the item PRIOR to the bidding.**

- ** **Submit all literature advertising the event to the attention of the USM Foundation Staff Accountant and Grant Administrator for review PRIOR to printing the literature** or it may be impossible for the USM Foundation to accept and deposit the funds. He/she will inform the department as to whether the literature meets the criteria or if it needs to be modified.

** Send a copy of the list detailing the fair market value of the items to the USM Foundation Business Office.

** Send revenue from this kind of fundraiser to the USM Foundation Business Office.

(See REVENUE CODES-2 on Appendix page A-3 for the list of codes and detail as to what to post to that code.)

➤ **Conferences and Seminars:**

The USM Foundation may administer funds for conferences and seminars.

** **Submit all literature advertising the event to the attention of the USM Foundation Staff Accountant and Grant Administrator for review PRIOR to printing the literature** or it may be impossible for the USM Foundation to accept and deposit the funds. He/she will inform the department as to whether the literature meets the criteria or if it needs to be modified.

ONLY REVENUES RELATING TO CONFERENCES WHERE THE CORRESPONDING EXPENDITURES ARE TO BE DISBURSED THROUGH THE USM FOUNDATION WILL BE ACCEPTED.

➤ **Part Gift/Part Non-Gift:**

If a contributor received a benefit in exchange for part of his/her contribution, a NON-GIFT DEPOSIT FORM must be completed for the non-gift portion (*see Appendix page A-10*).

** Send the completed non-gift deposit form to the OIA along with the corresponding gift transmittal form and the check or cash. The OIA must send the NON-GIFT DEPOSIT FORM with the gift batch detail report.

➤ **Raffles:**

A raffle is an appeal for money consisting of three parts (1) a prize, (2) the element of chance and (3) consideration or payment for the right to participate. The cost of a raffle ticket is not tax deductible; therefore, it must be classified as non-gift revenue. The IRS notes that the only amount eligible for deduction purposes is the difference between the gift and the total of all the prizes offered in the raffle, whether the raffle is won or not.

** **Submit all literature advertising the event to the attention of the USM Foundation Staff Accountant and Grant Administrator for review PRIOR to printing the literature** or it may be impossible for the USM Foundation to accept and deposit the funds. He/she will inform the department as to whether the literature meets the criteria or if it needs to be modified.

✦ Raffle activities are regulated by state law. The USM Foundation is registered in the State of Maryland and any appeal for money to Maryland residents is covered under that registration. However, there may be local regulations that require a license.

- ✦ The value of prizes received by the winner must be included in calculating the winner's gross income. If the prize is in the form of goods and/or services, the fair market value of those good and/or services must be included.
 - ✦ The USM Foundation must be informed of the value of the prize, and the name, address and social security number of the winner(s). That information is reported on a Form W-9, subject to the following guidelines:
 - ⇔ If the single prize has a value of \$600 or less, the USM Foundation is not required to report or withhold.
 - ⇔ If the single prize has a value of \$600 or more, but not more than \$5,000, the USM Foundation must withhold 31% backup withholding IF a W-9 is not completed.
 - ⇔ If the value is \$5,000 or more, the USM Foundation must withhold 28%.
- Note:** Withholding is required even if the prize is not cash. The prize can be grossed up so that the tax can be paid **or** the winner can remit the amount to be withheld to the USM Foundation. The USM Foundation must withhold the prize if there is no way to pay the taxes.

➤ **Sales:**

The USM Foundation may accept the proceeds from sales of tangible merchandise, books, tapes, wreaths, sweatshirts, etc. The USM Foundation must be notified **PRIOR** to the sale.

Note:

- ✦ All sales within the state of Maryland are subject to 6% sales tax, and may additionally be subject to Unrelated Business Income Tax (UBIT).
- ✦ Sales tax is paid as required by law and charged to each account accordingly.
- ✦ When the item(s) to be sold is purchased and the Disbursement Request is submitted for payment, use the **GL Code 4253** (*Cost of Goods Sold*) on the request form.

➤ **Special Fundraising Events:**

Special fundraising events are activities such as dinners, theater programs, golf tournaments, etc., where the attendee is provided with a benefit in exchange for a contribution.

- ** **Submit all literature advertising the event to the attention of the USM Foundation Staff Accountant and Grant Administrator for review PRIOR to printing the literature** or it may be impossible for the USM Foundation to accept and deposit the funds. He/she will inform the department as to whether the literature meets the criteria or if it needs to be modified.

- ** **Provide donors who attend with information regarding what portion of their payment is tax deductible when the total amount paid by them is \$75 or more** (*per the Revenue Reconciliation Act of 1993*). This is not per attendee, but the total amount of the check.

ALL SOLICITATION MATERIALS MUST INCLUDE THIS INFORMATION, PER IRS RULES.

- ** **All solicitation and/or receipt literature MUST identify the gift and non-gift portion.** The non-gift portion represents the fair market value of any goods or services received by the person attending the event, not the cost. All benefits have a fair market value, even if the event costs the sponsoring department nothing (*i.e., a donor is contributing all the food, entertainment, etc.*)

The fair market is determined by what it would cost an individual to purchase the item. In order to determine the fair market value of the benefit, the following items should be considered and a fair market value determined, when appropriate:

(*See FAIR MARKET VALUE WORKSHEET on Appendix page A-12.*)

Meal	\$ _____
Entertainment	\$ _____
Favor/Gift	\$ _____
Activity (<i>Golf/Tennis, etc.</i>)	\$ _____
Speaker	\$ _____

IRS policy **suggests** the following language for your solicitation / receipt, which we recommend:

*** “The amount of your contribution that is deductible for Federal income tax purposes is limited to the excess of the amount contributed by you over the value of the goods and services that you receive. We estimate the value of those goods and services to be \$ _____ and, therefore, you may deduct any contribution in excess of that amount.”**

- ✦ When submitting requests to pay for expenses associated with a special fundraising event, use **GL Code 4320**.
- ✦ All literature regarding these events must indicate that the program, activity, or event is administered through, or an activity of the USM Foundation, per Board of Regents Policy.
(*See Suggested Wording for Solicitation Literature in the section on Board of Regents Policy re Solicitations.*)

❖ **GRANTS AND CONTRACTS**

The USM Foundation administers grants that are philanthropic in nature. Under special circumstances the USM Foundation may administer government grants and contracts, as well as other contracts.

- ◆ All University guidelines must be followed before the USM Foundation can accept a grant or contract, including compliance with policies on faculty consulting, patent policy, human subjects, affirmative action, conflicts of interest, and any other such policy governing grant and contract activities.
- ◆ The appropriate academic administrators and the Office of Sponsored Programs (or its counterpart) must review and approve all proposals before submission to the USM Foundation for processing.
- ◆ **Grants/Contracts to be administered by the USM Foundation must explicitly name the University System of Maryland Foundation, Inc. as the administrative agent.**

Submitting the Proposal:

- ** Prepare and send the paperwork identified below to the USM Foundation:
 - ✓ Letter of approval from the Office of Sponsored Programs or equivalent department;
 - ✓ Proposal – one (1) copy for the USM Foundation
 ___ (?) copies required by the perspective Grantor/Contractor (*the funding agency*).
- ** When the above are received, a transmittal letter, signed by an officer of the USM Foundation, will be prepared. The USM Foundation will forward the letter and the proposal to the funding agency **or** return the packet to the department for submission, depending on the agreed upon arrangements between the parties involved.
- ** Upon notice of acceptance of the proposal from the funding agency, the USM Foundation will inform the Office of Sponsored Programs or equivalent department.

Follow-up to Notification of Acceptance from the funding agency:

- ** The USM Foundation establishes a separate account for each grant/contract to assure that financial reports can be prepared and that grant/contract funds are not co-mingled with other funds.
- ** The USM Foundation maintains a separate file for each grant/contract administered by the USM Foundation. Each file includes the following:
 - A check list to keep track of reporting requirements;
 - The grant/contract proposal paperwork (*see items listed under **Submitting the Proposal** above*);
 - Documentation supporting receipts from the funding agency;
 - Documentation supporting disbursements;
 - Confirmation that the principal investigator has filed reports or other documentation indicating the narrative reports;

- ➔ Copy of financial reports filed with the funding agency. These reports are prepared by the department, but must be submitted to the USM Foundation for review PRIOR to submission;
- ➔ Copy of the transmittal letter that accompanies technical reports prepared and submitted to the funding agency by the principal investigator for the grant/contract.

Grant backs:

The USM Foundation has the ability to sub-grant a portion of the grant to an institution. This enables the department to use university employees and to purchase goods and services using university funds and provides assurance to the university that those expenditures will be reimbursed.

** Requests for grant backs are submitted to the Grants Administrator and must include the following information:

- ✓ USM Foundation account number
- ✓ Campus account number
- ✓ \$ amount requested
- ✓ Person requesting the grant back

Disbursements for Grants/Contracts:

(See sections on CASH DISBURSEMENTS for information related to this area.)

Fees:

Upon review of documentation, the USM Foundation may charge an administrative fee.