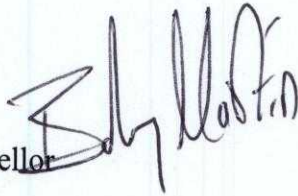


DATE: August 6, 2009

TO: Deans and Directors

FROM: Carolyn A. Martin, Chancellor



SUBJECT: UW – Madison and UW Foundation Policies

I believe it is important to reaffirm the long-standing policies and procedures governing gift funds provided to the UW Foundation. Please share the contents of this document with those in your units who deal with the Foundation.

Gifts coming to us through the UW Foundation are made with thoughtful care and with great love for this institution. Let us not forget that we all have the responsibility to cooperate with the Foundation in the solicitation of the gifts and to provide good stewardship of the gifts once received. By adhering to the policies and procedures set forth in this memorandum we will continue to benefit from this partnership for many years to come.

#### Purpose of the UW Foundation

It is the purpose of the UW Foundation to solicit and accept gifts on behalf of the University, and then to invest and protect those gifts until the University needs them. The policies and procedures outlined in this memo are designed to make sure that the Foundation is used in this way and does not become an operating arm of the University.

#### Gift Acceptance

**The Foundation accepts only those gifts that meet all of the following criteria (for additional guidance on whether a payment is a gift or a sponsored project, please see the “Gift or Sponsored Projects Indicators” document attached as Exhibit A):**

1. The gift must provide support for broadly defined activities, such as professorships, scholarships, building projects, fellowships, research and instructional programs. The donor may restrict the use of funds to a specific program area or purpose.
2. No detailed technical or fiscal reports are required as a condition of the gift. The unit or faculty member involved may provide the donor with a brief summary of the results of supported activities and a statement that expenditures were made in accord with the intent to the gift. If detailed fiscal or technical reports are required, the gift becomes a research contract and must be awarded to the Board of Regents of the University of Wisconsin System, rather than to the UW Foundation.



3. All patents, copyrights and other intellectual property rights that result from activities supported by the gift are not claimed by the donor.
4. The gift contains no restrictive provisions, such as delays or advance notice concerning publication or dissemination of data and information derived from activities supported by the gift.
5. The gift is irrevocable by the donor.

**The Foundation will not accept funds which are derived from University sponsored revenue producing activities** such as fees for services or for use of university facilities, revenues from ticket sales, registration fees, and similar activities, or from grants, contracts or business arrangements. All such funds must be deposited directly with the University into appropriate types of accounts.

**All checks deposited to the Foundation must be intended by the donor to be given as a gift, meeting the five criteria above.** Preferably the checks should be made payable to the UW Foundation. Instructions provided to donors for gifts to be provided to the Foundation should instruct the donor to make the check payable to the UW Foundation. It is acceptable to deposit checks payable to other names, if there is documentation that the donor intended the check to be a gift to the Foundation or a fund in the Foundation. That documentation must be forwarded to the Foundation with the check.

**A University of Wisconsin Foundation Gift Deposit Form must be forwarded with the checks when they are sent to the Foundation.** This form is available as an HTML document on the web at <http://www.uwfoundation.wisc.edu/giftdeposit> and is available on the Foundation's Campus Access web site for those with authorization to access that web site. **This form must be printed and routed for signature through the appropriate academic school/college Dean's Office or Administrative Director's Office before it goes to the Foundation.** Where correspondence with the donor will be useful in documenting the intent to give the gift, please attach this correspondence to the form. Questions regarding deposit of Foundation checks should be directed to the Foundation's Gift Processing Department at 263-4545.

**All checks not meeting the gift criteria stated above must be deposited to University accounts.** Appropriate University deposit procedures should be used to deposit such funds. Questions regarding deposit of University checks should be directed to Research and Sponsored Programs at 262-3822 for gifts, grants or contracts or Accounting Services Cash Management at 262-5980 for all other types of University revenue.

**Good internal control procedures must be followed,** whether checks are payable to the University or the Foundation. These include:

- restrictively endorsing checks "for deposit only" immediately upon receipt



- depositing checks within five days of receipt
- storing undeposited funds in a locked desk or safe overnight
- reconciling deposits you send to the Foundation or the University to ledger records to see that they are credited to the proper account.
- having donations made by credit card be made directly to the UW Foundation, rather than through your department. Donations may be made through the UW Foundation website at: <http://www.uwfoundation.wisc.edu> by clicking on "Give Online" or by contacting the UW Foundation Gift Processing department at 263-4545.
- where credit card payments for events are accepted by departments, obliterating the credit card number from any copies of source documents after providing the original documents to the Foundation.

In accordance with the IRS regulations and good donor relationships, **all gifts must be acknowledged in writing. In almost all cases, the Foundation receipts and acknowledges gifts.** In situations where the donor makes a gift of \$75 or more and receives any goods or services in exchange for the gift, the gift is classified by the IRS as a quid pro quo transaction that is partly a gift and partly the purchase of goods and/or services. All solicitation materials produced by the University or the Foundation for donations involving quid pro quo are required to contain information about the tax effect of the contribution as well as a reasonable estimate of the value of the goods and services being delivered to the donor in exchange for the gift. It is always a good idea to work with Foundation personnel in any situation where gifts involve an element of quid pro quo before solicitation materials are distributed.

It is a good practice for the department receiving the gift to also thank the donor. A sample letter for acknowledging a gift is available through RSP. For those with authorization to the UW Foundation's Campus Access website, a merge file of donor names and addresses may easily be produced to merge with a thank you letter written by your department.

#### Expenditure of UW Foundation Funds

**As a general principle and to maximum extent feasible, all support provided through gifts to the UW Foundation shall be expended by presentation to and acceptance by the Board of Regents for incorporation into the University's regular budgeting and accounting system.** That is, the Foundation, upon request of the University, will make a gift of funds to the University. Such gifts must be deposited into fund 233 and expended from that fund. A UW Gift Routing Form must accompany the gift check.

**Money must be transferred to fund 233 prior to expending it from fund 233** (please see the Business Services website for specific directions). Administrative burdens and paperwork can be greatly reduced by making transfers no more frequently than quarterly, anticipating the amounts to be spent in the upcoming quarter. **Once gifts disbursed by the UW Foundation are deposited into a University fund/appropriation, those gifts are governed by all State of Wisconsin policies regarding expenditures.**



**Only under extraordinary circumstances should the Foundation be requested to pay funds directly to a vendor for a University program or purpose.** In such cases, the Foundation will make payment based on a request from the University custodian of the Foundation fund designated to make the payment: generally a principal investigator, or Department Chair. These requests must then be routed through the appropriate Dean's or Director's office for a co-signature. If a reimbursement is for the Dean or Director, the request for payment must be approved by the Chancellor's Office. The University custodian is responsible for maintaining adequate justification of why University funds could not be used to make the expenditure, as well as all documentation supporting the expenditure. **Such justification and documentation are considered open University records, subject to public inspection as provided in the Wisconsin Public Records Law.** The level of documentation should be similar to that required for payment through regular University channels.

**The UW Foundation will not make payments directly to UW employees for services or honoraria or make payment directly to recipients for scholarships, fellowships, prizes and similar awards.** Such payments must be made through the University. As required by the Internal Revenue Code, the UW Foundation will report certain payments to recipients on forms 1099-MISC annually. In certain cases, the IRS has ruled that activities of organizations related to the University, such as the UW Foundation, must be considered activities of the University for tax purposes. In such cases, the payments made by the UW Foundation will be combined with the payments made by the University for tax reporting purposes.

**All tangible property gifts received from a donor through the UW foundation or purchased directly by the Foundation are to be reported on a Gift-in-Kind Transmittal Form.** This action establishes appropriate insurance and property records for the gift item.

There are several general stipulations regarding direct payment requests to the UW Foundation:

- **If the items being requested for payment can be processed by the University under state procurement and travel rules, they must be processed through the University.**
- **The party requesting reimbursement must be convinced that the expenditure was necessary in support of ongoing programs such that he/she would be comfortable talking to the donor or the press about the payment.**

**Examples of typically appropriate expenditures** to make directly from the Foundation (Note: these are examples only; each case must be taken on its own merits subject to the general stipulations above):

- Travel reimbursements exceeding state maxima, to the extent these cannot be processed through the University with appropriate explanations.
- Cost of hosting faculty and graduate student candidates, to the extent these are not allowable by state travel regulations.
- Cost of legitimate moving expenses for new employees, to the extent these are not allowable under State rules. The most frequent example relates to paying costs of



moving the spouse and children. Remember that PRIOR approval must be requested to reimburse any moving expenses.

- Costs related to School or College Board of Visitors meetings.
- Cost of alcohol served at events at which the other costs of the events are allowable. Remember that if an event is being held in a University facility an Alcohol Use Permit must be obtained.

**Examples of typically inappropriate expenditures to make directly from the Foundation:**

- Paying for goods and services to avoid the State bid processes.
- Reimbursing travel expenses of employees to avoid documenting expenditures and processing University Travel Expense Reimbursement forms.
- Paying for the cost of departmental meetings, parties and picnics to the extent such activities are merely social unless the Foundation account or donor documentation is explicit that the donor intended the funds to be used for such purposes. If there is a business purpose, the payments can generally be made through the University.
- Paying for retirement dinners or flowers for funerals of former department employees, unless the Foundation account or donor documentation is explicit that the donor intended the funds to be used for such purposes.
- Paying for retirement gifts.
- Paying for parking tickets of visitors and employees.
- Making donations or memorial gifts to non-profit organizations.
- Paying for upgrades to first class travel where such upgrades are not allowable under University travel regulations.

**Requests for expenditures from UW Foundation accounts must be made on a University of Wisconsin Foundation Check Request Form available as an HTML document on the web at <http://www.uwfoundation.wisc.edu/giftdeposit> and on the Foundation's Campus Access web site for those with authorization to access that web site. This form and the UW Gift Routing Form must be printed and routed for signature through the appropriate academic school/college Dean's Office or Administrative Director's Office before the two forms go to the Foundation.**

**Any requests for payments from the UW Foundation which Foundation staff feel are inappropriate will be referred back to the requesting Dean or Director's Office. University Accounting Services pre-audit staff at 262-0121 or 262-1919 are available to assist these offices in processing transactions through the University when possible.**



EXHIBIT A

**Gift or Sponsored Projects Indicators**

University of Wisconsin - Madison

Additional Guidance to the Chancellor's Memo

See for the Chancellor's Memo on UW-Madison and UW Foundation Policies

<http://www.rsp.wisc.edu/policies/uwfoundation.html>

In some cases it may be difficult to distinguish between a gift and a sponsored project. These terms are defined in the accompanying document, **Gift or Grant? Definitions**.

If, after reviewing definitions and considering the intent of the source of funding and nature of the agreement in question, there remains a question about the proper classification of an award, the following list of indicators may be helpful. This collection of indicators should be viewed as a continuum. Placement toward one side or the other, taken together with the analysis of the source of funds and the terms of the agreement, should help to classify questionable awards.

This analysis should be discussed with the Dean's Offices, who will consult as necessary with Research and Sponsored Programs, the University of Wisconsin Foundation, and other University offices to make final determinations

Gifts		Sponsored Projects
Funding does not originate from a governmental agency		Funding often originates from governmental agencies but also with non-governmental sponsors
For a general or specific purpose, e.g., endowment, capital projects, a line of research, faculty support or student financial aid and/or it may be for any activity at the university, e.g., department, library, arts, scholarship, facilities, research/instruction activities, etc.		For a specific statement of work, e.g., specified protocol, experiments, testing of hypotheses, particular line of inquiry or for a specified research project, specific instruction or other sponsored activities
Few, if any, deliverables (other than reports as noted below, and use of funds as requested and awarded)		Deliverables defined by agreement, e.g., reports, research results, IP rights, equipment, etc., and funds may be withheld pending delivery
No restrictions on publication rights. Publication attribution may be encouraged or agreement may be silent on attribution. Sponsoring Organization may require something similar to "Research made possible a		Agreement requires attribution to the sponsor and often may ask for or require minor publication delays



grant from..." language.			
Proposal may be informal, e.g., a letter proposal from an individual, a department, office or school, or the grant making Organization may require a formal proposal with specific guidelines and required information.			Sponsor requires formal and detailed proposal and/or contractual agreement. Must be submitted through Research and Sponsored Programs or Division Offices as allowed.
Often require only <b>general</b> stewardship and communication as a courtesy to donor, e.g., progress reports, reports of expended funds and balance			May require <b>detailed</b> financial and other reports , e.g., scientific reports, invention reports, financial reports on sponsor-specified format, may include the right of sponsor to audit
No requirement for return of unexpended funds			Budgets and project period may lead to unexpended funds that must be returned if there is no approval to carry forward or extend project
No required pre-approvals for expenditures unless a change of circumstances arises that may cause the University and/or the UW Foundation to revisit the purpose of the gift with the donor			Certain expenditures may require prior written approval by sponsor
Some gifts may be combined into one fund (if for the same purpose)			Must be separately budgeted and accounted for
Qualifies for tax treatment as charitable contribution by donor			May qualify for basic research tax credit for sponsor
No obligation or agreement to share data with donor; donor willing to relinquish intellectual property and data rights to University. Donor may request progress reports as noted above.			Donor expects access to data, primary records, or has ability to audit data collection

## University of Wisconsin - Madison

## GIFT OR GRANT? Definitions

Suppose a faculty member hands you a check for \$10,000, telling you that it came from the ABD Company or the XYZ Foundation to support research in your department. Along with the check is an agreement that someone needs to sign, indicating how the money will be used and imposing some other restrictions. Is this a gift? Who needs to sign the agreement?

There's not enough information in that short paragraph to allow you to answer those questions. Here's one quick test - if the source of funds is a Government agency, the dollars may NOT be



treated as a gift. Government funding always implies a sponsored project. If, as in this hypothetical situation, the funds came from a foundation, corporation, or other non-Government source, the following analysis will help to make the correct classification.

It is important to note that almost all private foundations and corporations refer to their funding as "grants", so the mere use of the word cannot be determinative. Just because the corporation or foundation calls it a grant does not mean that has to be directed to the Office of Research and Sponsored Programs. It may, in fact, be a "gift" that can be held and stewarded by the University of Wisconsin Foundation.

The result of this analysis will determine how Wisconsin must account for the money and will have significant administrative implications.

### **SPONSORED PROJECTS**

A sponsored project is an activity that requires a specific statement of work, detailed financial accountability, and compliance with the sponsor's terms and conditions. The following conditions characterize a sponsored project agreement and help to distinguish such agreements from gifts. Any analysis of these conditions must also take the **intent** of the donor/sponsor into consideration.

#### **1. Specific statement of work**

Sponsored projects are typically awarded to Wisconsin in response to a proposal to accomplish a specific statement of work and commitment to a specified project plan. While gifts may be restricted to a general purpose, e.g., cancer research, construction of a building, or library support, a sponsored project will usually entail a more detailed project methodology, e.g., a series of experiments to test a particular hypothesis or support to perform a particular activity. This statement of work is typically supported by both a project schedule and a line-item budget, both of which are essential to financial accountability, described below.

#### **2. Detailed financial accountability**

The written agreement typically includes detailed and complex financial accountability, including such conditions as:

- a. a line-item budget related to the project plan, including F&A (indirect) costs
- b. a specified period of time in which project funds may be expended, usually defined with "start" and "stop" dates
- c. a requirement to return any unexpended funds at the end of that period
- d. regular financial reporting and audit.

These kinds of conditions generally define the level of financial accountability associated with a sponsored project. They are collectively indicative of the increased level of financial accountability associated with such projects.

#### **3. Disposition of properties ("deliverables")**

Sponsored project agreements also usually include terms and conditions for the disposition of tangible or intangible properties, including, for example, hardware, data, or intellectual property. The presence of such terms and conditions in the agreement indicate that the activity is a sponsored project.



## **GIFTS**

A gift, on the other hand, is defined as a contribution with no tangible reciprocal benefit to the donor. In general, the following characteristics describe a gift.

- a. No contractual requirements are imposed. However the gift may be for a stated purpose, with the use of the funds restricted to that purpose.
- b. A gift may be intended to be used during a specified period of time, but will not have a requirement to return unexpended funds. If funds remain after the period noted in the original gift, a request for changes to the period must be approved by the donor.
- c. The award is irrevocable, with no specified "period of performance."
- d. There is no formal fiscal accountability, but the donor may require periodic progress reports and reports of expenditures. These reports may be thought of as a requirement of good **stewardship**, rather than as a contractual obligation.
- e. There is no retention by the donor of any intellectual property rights to discoveries or other quid pro quo deliverables being made to the donor other than recognition of the donor's generosity.

In our hypothetical example, this analysis would determine whether the agreement should go to the Office of Research and Sponsored Programs for handling as a sponsored project or to the UW Foundation for treatment as a gift.