What is a contribution?

- An unconditional transfer of cash or other assets from one entity to another with no promise to perform a service.

What is a Pledge?

- A promise to give:
  - Unconditional Pledge: a written promise to give; binding.
  - Conditional Pledge: an non-binding pledge. Bequest; unsigned pledges.
Financial Pledges

All pledges over $25,000 must have a signed agreement in order to be credited to the financial system (BEN Financials).

Non Financial Pledges

- Conditional Pledges or pledges not signed by the donor.
- Pledges are not reported on the financial statement as a receivable.
- Reported as a footnote in aggregate.

New Gift/Endowment Fund Establishment

- Gift agreement is signed by donor. Agreement contains the pledge.
- SRFS AID number is established (if student aid fund).
- New Fund is established on BEN Financials.
- New Account established on Gifts System.
SRFS
For Undergraduate Student Aid Funds

- Copy of the signed agreement is sent to SRFS.
- Unique AID number is assigned to fund. AID number links the donor, the fund and the student together. Student will change, but fund and donor are constant.
- CREF will be assigned. Last four digits of Accounting stream. Unique for each school.

New Fund established on BEN

- Copy of Agreement sent to Senior Business Officer.
- School Business Officer completes the new account creation form.
- Form contains information needed to assign 26 digit flexfield.
- Form is submitted to Trust Administration
  - Purpose code is assigned. Examples: Student aid, instruction, research, Library, etc.
- Original Agreement is submitted to Trust Administration.

New Fund established on BEN (continued)

- Trust Administration establishes new fund on BEN.
- Appropriate Parents are added for investment, overhead status, etc.
- Trust Sheet is completed for each new fund and provided to appropriate business officer (and development officer, if requested). Trust Sheet provides important information for the administration of the fund.
- Paperwork forwarded to Gifts Accounting & Administration.
New Account established on Gift System

- Gifts Accounting & Administration opens a new account on system.
- Account is assigned the school code, secondary codes.
- Account is assigned campaign codes.
- 26-digit accounting stream is coded into the feeder files.

Pledge is received

- Pledge or Gift agreement is signed by donor and appropriate University officials.
- Development completes a transmittal.
- Completed transmittal and documentation is forwarded to Gifts Accounting & Administration.

Pledge is booked on Gift System

- Pledge is established for full amount of promise.
- Pledge is recorded as a subscription by gift processor.
- An expected payment schedule screen is populated by Gifts Accounting & Administration
  1. States expected payments.
  2. Controls amount of discount taken on gift.
  3. Allows for reporting of past due receipts.
Discounts

- To take into account (as a future event) in present calculations. –Webster’s Dictionary
- States the value of future payments in today’s money.
- All multi-year pledges over $25,000 are discounted at receipt of gift.
- Discount rates for the year are established in July and added to the DEV table in the gifts system.
- Discounts are calculated on payments expected after year 2 of multi year pledge.

Discount Formula =

\[
\text{Pledge Amount} \times \frac{1}{(1+\text{discount rate})^\text{years}}
\]

Discount Calculation

- $250,000 pledge
- Payment schedule $50,000 over 5 years.
- Discount rate 4.81%.
- Discounted amount = $50,000 + $50,000 + $50,000/(1.0481) + $50,000/(1.0481^2) + $50,000/(1.0481^3)
- Discount is $13,351.38.
Gift System feeds BEN (General Ledger)

- Each night all new pledges feed to general ledger.
- Entire revenue is recognized when pledge is signed.
- Unique batch name assigned to feeder file:
  GFTPLDG001 20050705 GIFT_PLEDGES Batch#
- Accounting entries:
  - DR: 1230 (Pledge Receivables)
  - CR: 4400 (Gift Revenue)

Discount is applied when pledge is recorded and fed to general ledger.
- Unique batch identifier is assigned to feeder file
  GFTPLDG001 20050920 GIFT_PLEDGES Batch#
- Accounting entries:
  - DR: 4400 (Gift Revenue)
  - CR: 1238 (Contributions Rec. Discount)

Accretion Process

- Process by which discount is adjusted to reflect changes in value of the pledge due to payments received. Recalculates discounted value.
- Unique batch
  GFTRECL001 20050630 GIFT_RECLASS batch#
- Accounting Entries:
  - DR/Cr: 1238 (Contribution Rec. Discount)
  - DR/Cr: 4400 (Gifts Revenue)
- Same formula as discount.
Accretion Process

- Currently Accretion Process is fed to general ledger annually.
- Need to feed monthly (Audit requirement).

Pledge Payments

Payment is received by the University in a variety of ways.
- Donor gives check to Gift Officer
- Mail received directly to Gifts Accounting & Adm.
- Lockbox (Bank Deposit)
- Credit Card Payment
- Securities Gifts
- Bank Wires

Payments

Cash

Check is received by Development.
- Development personnel completes transmittal
  Transmittal states donor name, ID#, Pledge to be paid and amount.

All payments over $25,000 must include appropriate documentation supporting payment.
Payments
Cash (Continued)

- Payment is recorded in gift system by Gift processor, from information on transmittal.
- Receipt is recorded as a payment.
- Nightly gift system feeds payment to general ledger.
- Unique Batch is assigned for payment: GFTCASH 001 20050922 GIFT_CASH Batch #
- Accounting Entries:
  - DR: 1149 (Cash)
  - CR: 1230 (Contribution Receivable)

Payments Lockbox

- Lockbox payments are cash and credit payments where the bank acts as intermediary for payment.
- Annual giving (primary user) of lockbox.
- Checks are sent to a P.O. Box and collected each day by Mellon Bank for processing.
- The Lockbox Card acts as a transmittal.

Lockbox Continued

- Fund designation is encrypted on lockbox card and is read onto a file.
- File is transmitted by Mellon to Penn daily.
- Mellon provides report of activity which is reconciled daily by Gifts Accounting & Administration.
- Rejected items are keyed manually into gift system.
- File is uploaded into gift system and receipt is recorded as a payment.
- Gift system feeds nightly into general ledger.
**Lockbox**

**Credit Card**

- Donor makes payment with credit card:
  - Thru on-line giving, calling development officer or Gifts Accounting & Administration
- Payment is recorded to gift system.

---

**Credit Card**

**Continued**

- Unique Batch identifier assigned
  - GFTCARD 001 20050925 GIFT_CREDITCD Batch#
- Accounting Entries
  - DR: 1143 (Credit Card)
  - CR: 1230 (Contribution Receivable)

---

**On-line Software**

- On line Giving (OLGA)
  - Via Lockbox (batch A).
  - In house credit processing via in-house software, which feeds to lockbox (batch L).
  - Credit card payments processed via the bank, which feeds to lockbox (Batch 2).
Securities Gifts

- Donor informs Securities Gifts of payment with stock.
- Securities Gifts coordinates with donor and his broker for transfer of securities into University Brokerage account.
- Upon receipt of securities, security is valued using the mean of the high and low market price of security.

Securities Payments

- Payment is recorded of gift system as a payment and fed into general ledger.
- Unique Batch identifier
  GFTSEC 001 20050925 GIFT_SECURITIES Batch#
- Accounting Entries
  - DR: 1780 (Investments)
  - CR: 1230 (Contributions Receivable)

Securities Payments

- Proceeds recorded to the fund manually when received via journal entry.
- Donor credit based on market value of securities and not on proceeds.
Overpayments

- Donor pays more than billed (expected) amount.
- Currently is problematic with last payment.
- Cash payments, securities payments need to adjust entries, one payment entry for pledge balance, and one entry to record difference as outright gift.

Overpayments
Continued

- Lockbox and credit card payments:
  Do not make second entry for overpayment.
  Will overpay the pledge. Will not record overpayment as outright gift without manual intervention.

Overpayments
Continued

PeopleSoft Issue:
- Overpayments/Underpayments change future expected payments.
- Need to develop business rule to determine handling of allocation of overpayments.
Outright Gifts

- Very similar to payments.
- Same methods of payment exist.
- Recording on gift system and general ledger will be different.

Outright Gifts
Continued

Differences in Gift system:
- Gift are recorded as both a subscription and a payment.
- General ledger gift is recorded only as gift.

Outright Gifts
Continued

- Nightly Gifts System will feed to General Ledger to record new gifts.
- Revenue is recognized.
- Same Batch identifiers as pledge payments.
Outright Gifts
continued

- Accounting Entries:
  - **Cash:**
    - DR: 1149 (Cash)
    - CR: 4400 (Gift Revenue)
  - **Credit Card:**
    - DR: 1143 (Credit Card)
    - CR: 4400 (Gift Revenue)
  - **Securities:**
    - DR: 1780 (Investments)
    - CR: 4400 (Gift Revenue)

Reconciliations

Daily:

- Cash, lockbox, bank wires, credit cards and securities gifts are reconciled daily between the gift system and general ledger to ensure correct feed.

Reconciliations

Monthly:

- Detailed Reconciliation of Pledge Balances between gifts system and general ledger by fund.
- Detailed Reconciliation of Discount balances between gifts system and general ledger by fund.
- Reconciliation of outright gifts per gifts system to general ledger in aggregate.
Reconciliations

- Cash suspense reconciliation (1149)
- Credit card suspense reconciliation (1143)
- School/center suspense (629469)
  - Dummy number on gifts for each school/center

Reporting

- Reserve Analysis:
  - Review of all total pledge balances to reserve for bad debt allowance.
  - Specific reserve:
    - Total reserve of all past due balances over two years old.
  - General reserve:
    - % of current outstanding balance reserved for bad debt.

- Roll Forward:
  - A detailed listing of all pledge activity.
  - Fiscal year to date.
  - Categorized by:
    - New Pledges
    - Payments
    - Write offs
      Broken down as under and over $500,000.
Gift and Endowment Training

Monthly Management of Reports

- Each School and Department needs various reports to assist them in carrying out their fiscal responsibilities
- End-users should run reports at intervals that are meaningful to them
- End-users can run one or more reports at month-end. However, they may also run reports throughout the month
- Reports are printed locally i.e. at your designated printer

Account Level Management Reports

General Reporting

A general rule of thumb is that accounts are managed in a way that is based on the BC value. While this is a general rule, it is not universally true as each School/Center may differ in the way they utilize the COA to manage accounts.

There are 4 basic reports needed to manage expenses against operating budget:

- 10X.ORG Summary Level
- 15X.ORG Detail Level
- 163.ORG Open Encumbrance
- Salary Management (obtained from Personnel/Payroll system)

Once you determine how the COA is being used within your area, it is fairly simple to identify the BEN Financials reports needed to manage accounts in your area.

- Where ORG-FUND fiscal year is the COA combination that determines an account, reports based on BC 1 are appropriate.
- Where CNAC-ORG-FUND-CREF fiscal year is the COA combination that determines an account, reports based on BC 2 are appropriate.
- Where CNAC-ORG-FUND-CREF project-to-date is the COA combination that determines an account, reports based on BC 4 are appropriate.

Reports should be run on a monthly basis

The reports listed in these guidelines should be run on a monthly basis. See Financial Policy 1402.5 for more information on reviewing monthly transaction reports visit:

http://www.finance.upenn.edu/vpfinance/fpm/1400/1402.shtml
Monthly Management of Reports (continued)

Specific General Ledger reports grouped together based on BC value are:

<table>
<thead>
<tr>
<th>BC 1</th>
<th>BC 2</th>
<th>BC 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNAC/ORG/FUND YTD</td>
<td>CNAC/ORG/FUND/CREF YTD</td>
<td>CNAC/ORG/FUND/CREF PJTD</td>
</tr>
<tr>
<td>100.ORG Summary</td>
<td>104.ORG Summary</td>
<td>103.ORG Summary</td>
</tr>
<tr>
<td>150.ORG Detail</td>
<td>151.ORG Detail</td>
<td>151.ORG Detail</td>
</tr>
<tr>
<td>163.ORG Open Encumbrance</td>
<td>163.ORG Open Encumbrance</td>
<td>163.ORG Open Encumbrance</td>
</tr>
<tr>
<td>*100.ORG</td>
<td>*102.ORG</td>
<td></td>
</tr>
</tbody>
</table>

*These reports will show the fund in aggregate

Fund types typically fall into these categories:

<table>
<thead>
<tr>
<th>BC 1</th>
<th>BC 2</th>
<th>BC 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNAC/ORG/FUND YTD</td>
<td>CNAC/ORG/FUND/CREF YTD</td>
<td>CNAC/ORG/FUND/CREF PJTD</td>
</tr>
<tr>
<td>000000 Gen'l Unrestricted Fund</td>
<td>000004 Tech Transfer Fund (TTF)</td>
<td>000002 Univ Research Fd (URF)</td>
</tr>
<tr>
<td>000001 Anticipated Resources</td>
<td>5xxxxx Grant &amp; Contract</td>
<td></td>
</tr>
<tr>
<td>000011 Service Centers</td>
<td>4xxxxx Endowments</td>
<td></td>
</tr>
<tr>
<td>6xxxxx Operating Gifts</td>
<td>9xxxxx Agency Fund (Except Abramson Institute funds)</td>
<td></td>
</tr>
</tbody>
</table>

01xx01 Center Specific Fund 1, 01xx02 Center Specific Fund 2, 01xx03 Center Specific Fund 3, and 01xx04 Center Specific Fund 4 will be either BC 1 or 2 depending on how your School/Center established the fund.

4xxxxx Endowments, 5xxxxx Grants & Contracts, and 6xxxxx Operating Gifts fund types each have special reports, 114.ORG, 115.ORG, & 116.ORG respectively, that show an aggregate view of the fund.

10X.ORG SUMMARY, 15X.ORG DETAIL, & 163.ORG OPEN ENCUMBRANCE

These reports are the basic reports used for managing expense to operating budgets at the account level.

Recommended Report Parameters

| Period Name: | Current Period |
| ORG Low: | Lowest ORG value based on your security including Parent ORG |
| ORG High: | Highest ORG value based on your security including Parent ORG |
| RESP ORG/ORG Connect: | OR |
| RESP ORG Low: | Lowest ORG value based on your security including Parent ORG |
| RESP ORG High: | Highest ORG value based on your security including Parent ORG |
| Fund Low: | Leave blank |
| Fund High: | Leave blank |
| CREF Low: | Leave blank (103.ORG, 104.ORG, and 151.ORG only) |
| CREF High: | Leave blank (103.ORG, 104.ORG, and 151.ORG only) |

163.ORG has more parameters than 10X.ORG & 15X.ORG which are all left blank except the following:

Sort Option: Select option to match BC value of account (163.ORG only)
Page Break: Y will start a new page at every break based on sort option (163.ORG only)
Monthly Management of Reports (continued)

15x.ORG reports print for all account combinations identified in the parameters provided there is activity for the selected period. Additionally, inactive funds that are within the fund range parameter will return data provided there is activity for the selected period.

Exception Reporting

Several General Ledger reports using specific parameters can be used as exception reports to aid in the management of activity within your area. These reports quickly identify certain types of activity (suspense, wayward transactions, deficits, etc.) that require a corrective action to be performed by the department.

205.SCH: SURPLUS/DEFICIT REPORT

This report identifies accounts having a deficit.

Recommended Report Parameters

| Period: | Current Period |
| RESP ORG Low: | Lowest ORG value based on your security (including Parent ORG) |
| RESP ORG High: | Highest ORG value based on your security (including Parent ORG) |
| NAC? (0,1,S): | 0 - Unrestricted; 1 - Temporarily Restricted; S - 0 and 1 Combined |
| Report Option: | 2- Produce Only Deficit Report |
| Sort Order: | 2- RESP ORG/Fund |

The goal is to manage expenses to avoid deficits and have no accounts in deficit at year end.

304.BUD: NEGATIVE BBA ORG/FUND YTD (for BC 1)

305.BUD: NEGATIVE BBA ORG/FUND/CREF YTD (for BC 2)

306.BUD: NEGATIVE BBA ORG/FUND/CREF PJTD (for BC 4)

These reports identify negative Budget Balance Available or where expenditures and encumbrances exceed authorized operating budget. University policy is that funds are not to be expended when funds are not available. This report may be used as tool to manage the negative BBA position.

Recommended Report Parameters

| Period: | Current Period |
| Report: | 1- Sort Report by Organization (sorts by ORG/FUND) |
| | 2- Sort Report by Negative BBA Amount (sorts by NEG BBA) |
| CNAC High: | Your CNAC |
| CNAC Low: | Your CNAC |
| ORG Low: | Lowest ORG value based on your security including Parent ORG |
| ORG High: | Highest ORG value based on your security including Parent ORG |
| Fund Low: | Leave blank |
| Fund High: | Leave blank |
| CREF Low: | Leave blank (on 305.BUD & 306.BUD only) |
| CREF High: | Leave blank (on 305.BUD & 306.BUD only) |

The goal is to manage the negative BBA position to zero balance.
Monthly Management of Reports (continued)

Exception Reporting (Continued)

301.BUD:  BUDGETABLE AMOUNT - GRANTS/ CONTRACTS

This report will help identify where PBUD, PBIL, and the Operating Budget are not in agreement.

**Recommended Report Parameters**

- Period Name: Current Period
- Report Selection: 1- All Active Grants
- RESP ORG Low: Lowest ORG value based on your security including Parent ORG
- RESP ORG High: Highest ORG value based on your security including Parent ORG
- Fund Low: Leave blank
- Fund High: Leave blank

The goal is to manage the PBUD, PBIL, & Operation budget amounts so that they agree and to manage wayward transactions to a zero balance.

If an Advance Account has been authorized by Research Services, PBUD will reflect the budgetable amount based on the Advance Account request and PBIL will be 0.

510.GA:  DETAIL TRANSACTION BY OBJECT BY ORG

This report will identify suspense object code (95xx) activity which is to be managed to a zero balance.

**Recommended Report Parameters**

- PERIOD NAME: Current Period
- CNAC Low: Your CNAC
- CNAC High: Your CNAC
- ORG Low: Lowest ORG value based on your security including Parent ORG
- ORG High: Highest ORG value based on your security including Parent ORG
- BC Low: Leave blank
- BC High: Leave blank
- FUND Low: Leave blank
- FUND High: Leave blank
- OBJECT Low: 9401
- OBJECT High: 9599
- PROGRAM Low: Leave blank
- PROGRAM High: Leave blank
- CREF Low: Leave blank
- CREF High: Leave blank

The goal is to manage suspense object code (95xx) activity to a zero balance.

Revenue suspense activity will be in the 94xx series.