GIFT POLICIES

2201 GIFT DATE POLICY

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April,2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure proper gift dates for donors, in accordance with Internal Revenue Service rules and regulations.

POLICY

Cash Gifts

The "mailbox rule" applies for all gifts received. This means the postmark on the donor's envelope (rather than the date of receipt) determines the date of the gift. It is crucial to retain all envelopes with gift correspondence which are submitted to the Office of Gifts Accounting & Administration, particularly at the approach of calendar year-end and for Life Income Gifts.

Credit Card Gifts

The "mailbox rule" applies for all credit card gifts. This means the postmark on the donor's envelope determines the date of the gift. This is especially applicable at calendar year-end if a credit card gift is received in January but the postmark is dated December, the official gift date is December since the University had an enforceable right to collect the gift in December.

On-Line Credit Card Gifts

The gift date is the same day the donation is submitted on-line.

Gifts of Securities (See Gift Valuation Policy #2203)

For electronic transfers, the gift date is the date the securities are deposited into the University's account.

For physical securities, the "mailbox rule" applies. In addition to a certificate, a donor must forward a stock/bond power and a signed letter stating the donor's intention of giving the security to the University. The stock power and letter of intention must be mailed separately from the physical security. Gift date is when all three pieces are received by the University

2202 GIFT RECEIPT POLICY

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To meet Internal Revenue Service requirements and donor needs for gift information

POLICY

The Internal Revenue Service requires the University to forward gift receipts to donors for all donations in the amount of $250.00 and above. The donor must be informed that “No goods or services as defined by the IRS have been provided by the University as a consideration for making this gift”, if that is the case. The Office of the Treasurer is the only office with fiduciary authority to execute and issue receipts for all gifts to the University.

If a benefit is exchanged in conjunction with the gift, such as admission or membership to a University organization, the donor’s tax deduction is reduced by the fair market value of the benefit.

2203 GIFT VALUATION FOR PUBLICLY-TRADED SECURITIES

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To appropriately record and receipt gifts of publicly-traded securities to the University and to comply with IRS requirements and University stewardship guidelines.

POLICY

The valuation of a security gift is derived from the mean of the high and low price transactions per share on the date of the gift. These prices are typically recorded in trade publications, such as *The Wall Street Journal* or through electronic pricing services, such as Bloomberg.

For example:

100 shares of General Electric

Gift Date: February 19, 2002

High Price for the Day: $37

Low Price for the Day $36.32

(High + Low)/2=Mean Value per share

Mean Value per share x Number of Shares = Value of Gift

Or

[(37.00) + (36.32) / 2] * 100 = $3,666.00

Note: for bonds donated, accrued interest is also included in the gift amount. In addition, bond prices may be derived from a dealer(s) if pricing is not readily accessible from other published sources.

Privately held or restricted securities:

Because values are not readily accessible and there is an indeterminable discount for illiquidity, no valuation is included on the donor's receipt. The donor should consult his/her tax advisor to determine an appropriate deduction to take for such gifts. Gift credit for privately held or restricted securities is applied to the donor's record based on proceeds realized upon sale.

It is the fiduciary responsibility of the Office of the Treasurer to accept, sell and receipt gifts of securities.

2204 GIFTS OF SECURITIES (LIQUID)

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

Gifts of appreciated securities offer donors an option of giving to Penn in a way that may provide tax benefits.

POLICY

Security gifts generally include stocks, bonds, limited partnerships, closely-held stock, and mutual funds.

The University of Pennsylvania accepts gifts of appreciated securities for immediate sale and does not retain securities for further appreciation.

The University will value the security as of the date the donor relinquishes control of the asset(s).

- For electronic transfers, this is the date the securities are deposited into the University's brokerage account.
- For mailed physical certificates in the donor's name, the "mailbox" rule applies. This means the postmark on the donor's envelope determines the date of the gift.
- For mailed physical certificates reissued into Penn's name, the certificate date determines the date of gift.

Stock gifts are valued by calculating the mean between the high and the low trading prices on the date of the gift.

Mutual funds are valued at their closing net asset value (closing price) on the date of the gift.

Government bonds are valued at the mean of the bid and asked prices at the end of the day, on the date of the gift, as recorded in trade publications.

Corporate bonds may be valued by an alternate source, such as dealer pricing, in writing, depending on their liquidity. Valuations for corporate or government bonds include accrued interest as of the gift date.

Broker statements are reviewed monthly to confirm the date of transfer (date of the gift).

The Office of the Treasurer is the only authorized agent to accept, appraise and sell gifts of securities for the benefit of the University.

The Office of the Treasurer will issue the appropriate gift receipt for tax purposes to the donor. The IRS requires that all charitable gifts of $250 or more be supported by a receipt from the charity.

Upon the sale of the security, net proceeds are journaled to the appropriate gift account designated by the donor. With the exception of restricted or privately held securities, net proceeds are not booked as the gift amount (see Policy # 2206 Illiquid Gift Acceptance Policy).

2205 GIFTS OF SERVICE

Effective: July, 2003
Revised: August, 2012
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

POLICY

It is the University of Pennsylvania policy not to accept gifts of service. This policy averts the University from any conflicts of interest and no exceptions are granted.

Under Pennsylvania State Law, gifts of service are not tax deductible; therefore the University will not issue receipts for gifts of service.

2206 ILLIQUID GIFT ACCEPTANCE POLICY

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To identify the policies and issues surrounding the acceptance of illiquid gifts.

POLICY

The following factors should be reviewed by the appropriate Development Officer in coordination with Trust Administration for gifts which **cannot** be readily liquidated (liquidated within one week). Note that in all cases, the donor should be informed that his/her gift credit is the realized sale proceeds.

Purpose of the Gift:

Endowment: An illiquid gift is generally acceptable.

Building Fund: Acceptable only if the school/center and the Vice President for Finance and Treasurer determine it meets funding requirements for the building.

Current Fund: An illiquid gift is generally acceptable.

Scholarship Fund: An illiquid gift is acceptable only if the securities generate income or if awards are made following liquidation of the securities.

Other Liabilities:

For limited partnerships or other commingled vehicle investments, Trust Administration must seek a review by the Office of General Counsel to determine if there are any other potential liabilities associated with the investment.

If there <u>are no potential liabilities</u>:

- The Vice President for Finance and Treasurer should make a determination as to whether to accept the gift.

If there are no other potential liabilities, coordinate with Trust Administration on the following:

- Confirm that the purpose of the partnership is one which is not in violation with the University's mission,
- Confirm that reporting or other requirements are not unduly cumbersome,
- Accept the gift, subject to the fund restrictions listed in the Purpose of the Gift above.

Gift Credit

- Realized sale proceeds are used as gift credit for illiquid securities.

Receipting

- Receipts will have no dollar value stated for illiquid gifts. It is the donor's obligation to establish a gift value. The donor will be notified of sales proceeds, once realized, if sold within 2 years of date of gift.

Hedging restricted stock gifts

- The Treasurer's Office may consider hedging strategies for gifts above *$250,000* in an attempt to preserve the value of the gift. Following a review of hedging opportunities with outside brokers/advisors, recommended hedging strategies (including an estimate of their cost) will be communicated to the relevant school/center. Any cost associated with hedging will be deducted from the proceeds of the gift and so borne by the relevant school/center. The Treasurer's Office may recommend against hedging strategies in light of cost, timing or liquidity issues.

2207 GIFTS-IN-KIND

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

The purpose of this document is to broadly provide guidance regarding the acceptance of Gifts-In-Kind and define related responsibilities.

POLICY

Gifts-in-kind are defined as any donations of real estate, or tangible personal property, such as, but not limited to the following examples: property, antiques, rare books, art, equipment, inventory, livestock, and software.

Gifts-In-Kind should only be accepted if they are going to be put into use, including public display, by the University or subsequently be sold to provide funds for other purposes.

RESPONSIBILITES

In accordance with Responsibility Center Management (RCM) and related Internal Control Governance (ICG) as defined in Financial Policy 2701, the accepting organization has ultimate responsibility for compliance with this policy.

Development and Alumni Relations (DAR) in collaboration with Gifts and Investment Services (GIS) is responsible for collaborating with the accepting organization with respect to ICG and providing guidance and compliance oversight.

The responsibilities vary based on the categorization of the gift.

<u>Used in Operations</u>

Tangible property or real estate employed in support of the University's mission, including the generation of revenue, with an economic life greater than one year.

Gifts used in operations are required to be fair valued, if the anticipated value exceeds $25,000, and added to the Property Management System in the fiscal year in which they were received.

GIS, in collaboration with the accepting organization, will coordinate the provision of all appropriate documentation, including useful life estimates, to Property Management in the Comptroller's Office to ensure proper recording of the assets by the accepting organization.

Held for Sale

Tangible or real estate property held for sale.

With the exception of real estate assets, the University generally does not accept donated assets that are not intended to be used for more than three years. DAR and GIS must approve all gifts held for sale prior to acceptance.

On the rare occasion that donated assets are accepted and sold prior to three years, the tax department is required to complete Form 8282 and remit to the IRS on behalf of the accepting organization. The accepting organization, in collaboration with DAR and GIS, is required to report the disposition of donated assets to the tax department in the Comptroller's Office.

Accepted gifts held for sale are required to be fair valued and recorded as such if they have not been sold as of June 30 of the fiscal year.

Held for Public Exhibition

Works of art, historical treasures, and similar assets added to collections held for public exhibition, education, or research in furtherance of public service rather than financial gain.

Accepted gifts held for public exhibition are not recorded as a financial asset for financial statement purposes.

The Office of the Curator should be notified of all proposed artwork and collection donations proposed for review and approval. Please see the Art Collection Policy for further information.

Real Estate

Real Estate donations must be approved by DAR and GIS, in consultation with the Office of General Counsel. See Policy 2231 – Gifts of Real Estate.

Fair Value Determination

Generally accepted accounting principles require the University to determine and record the fair value of Gifts In Kind in the fiscal year received unless they are held for public exhibition as defined above.

As per IRS Publication 561, donors are required to obtain substantiation of value to support any deductions taken on their personal tax returns.

To minimize costs to the organization accepting the gift, the donor's appraisal or other form of substantiation should be obtained from the donor in accordance with written documents requiring the donor to provide such substantiation of value. If the accepting organization in collaboration with DAR and GIS determine that the donor's substantiation documentation is timely and reasonable it may be used to record the gift.

If the donor's substantiation is not obtained or it is not timely or reasonable, the accepting organization in collaboration with DAR and GIS must obtain an appraisal or other form of substantiation and record the gift at this value in the fiscal year received.

As a general rule an appraisal or other form of acceptable substantiation is considered timely if it is dated within 12 months of the contribution date. Planning for gift acceptance should consider the donor's plans for obtaining and providing value substantiation to the accepting organization. The appraisal generally must be completed by an independent expert in the field.

A timely independent appraisal is required to support recorded values for real estate.

Recorded values for new equipment may be supported by a recent invoice, catalog inventory listing, or other retail listing. Recorded values for used equipment may be supported by listings from eBay, Craig's List, or other online bidding systems.

The contribution date is determined by the date the item(s) is transferred (either physically delivered, or in the case of real estate when the deed in signed) to the University.

There may be unusual circumstances where determining a timely and reasonable value of the gift in the fiscal year received will be difficult or costly. The accepting organization in collaboration with DAR and GIS with approval by the Vice President for Finance and Vice President of Development may defer valuation to the following fiscal year if the anticipated value will not be material to the current year GAAP financial statements.

STEWARDSHIP REPORTING

At no time will the University place a value on donated assets on an official University tax receipt. It is the donor's responsibility to place a value on these assets for reporting it to the IRS on their individual tax returns.

Penn's receipt can just acknowledge the acceptance of the gift and provide a description of the assets received.

The value, if any, added to the donor record is for donor record keeping and recognition purposes only.

2208 GIFTS OF CURRENCY

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

The University accepts currency donations ***but*** must comply with IRS regulations.

POLICY

The University is required by IRS regulations to complete Form 8300 *(link site)* for transfers of currency in amounts of $10,000 or more. Fees associated with the collection of gifts of cash are the responsibility of the school/center benefiting from the gift.

The Office of the Treasurer will acknowledge promptly the receipt of gifts of currency in accordance with IRS requirements.

For gifts valued in foreign currencies, the gift value will be based on the exchange rate in effect on that date.

2209 GIFTS OF INSURANCE POLICIES AND CORRESPONDING PREMIUM PAYMENTS

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To provide a framework for gifts of insurance policies.

POLICY

A donor may make the University of Pennsylvania beneficiary of an insurance policy. The University will credit the donor and issue a gift receipt.

The donor remits the premium for the University to pay. All acceptances of insurance policies must be approved by the Office of Planned Giving.

2210 GIFTS WITH BENEFITS

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure the proper deposit of a donor check that includes both gift and benefit.

POLICY

A BEN Deposit ticket must be completed, along with a Gift and Pledge Transmittal Form.

The BEN Deposit ticket should be brought to the Cashier's Office for deposit. For the gift portion, the ticket must have the proper object code which is 1149 on the account entry line.

Same day, a copy of the validated deposit ticket should be attached to the Gift and Pledge Transmittal form, along with any supporting documentation including a copy of the check and delivered to Gifts Accounting & Administration, 433 Franklin Building. The Gifts Office will journal the money from object code 1149 and will proper record the gift and forward a gift receipt to the donor for tax purposes.

All school/center deposits to 1149 without appropriate gift documentation (Gift & Pledge Transmittal) will be written off to 4920 (other income) after 90 days.

2211 GIFT CREDIT CARD POLICY

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure the proper recording, processing and filing of all donor credit card activity. The University accepts Master Card, Visa, American Express and Discover.

POLICY

All credit card information must be secured in locked file cabinets for privacy issues. Only authorized personnel should have access to such files.

Donor credit card information should not be recorded on the Gift and Pledge Transmittal form. Gifts are processed and recorded to the system and a gift receipt is generated and forwarded to the donor for tax purposes.

2212 GIFT RETURN POLICY

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To comply with Pennsylvania law, guarantee proper allocation of donations, avoid adjustments, and maintain consistent donor relations, no gift to the University shall be returned to a donor unless a clear error in the amount of payment or payee has occurred.

POLICY

The University is a non-profit charitable organization. Under Pennsylvania law, a gift committed to charity may not be diverted from that charitable purpose. Therefore, once the University receives a gift, the gift must be used to further the University's charitable purposes. Thus, the University policy, consistent with Pennsylvania law, is that no gifts to the University shall be returned to a donor.

If the University is approached by a donor requesting that a gift be returned, the University should respond consistently that the return of gifts is prohibited by law and under the policies of the University.

In unusual cases, after review by the Office of General Counsel and the Vice President for Finance, a gift may be transferred to another charity as allowed by law (usually with the consent of a representative of the Office of Attorney General and after approval by the Orphans' Court).

Upon a donor's request, the University may refund money to a donor who has erroneously overpaid on a pledge, or to entities which should have forwarded the check to a different institution. In each case, the donor must provide the appropriate taxpayer identification number. Verification of paying account is necessary to ensure the refund is made to original payor account.

If a donor has taken a charitable tax deduction for all or part of a returned gift, the donor must report as part of gross income to the Internal Revenue Service the return of the gift.

2213 GRANT VS. GIFT

Effective: July, 2003
Revised: February, 2013
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure proper financial recording and reporting of grants vs. gifts.

POLICY

All grant contracts carry an explicit quid pro quo relationship between the source of the funds and the institution and must be forwarded to the Office of Research Services (ORS) for accurate reporting.

Grants carry with them obligations that must be fulfilled by the University (i.e., special reporting and timetable) while Gifts are direct, unconditional donations.

If there is a question whether money received is a grant or a gift, contact one of the following offices for clarification:

Office of Research Services	**Gifts Accounting & Administration**
Elizabeth Peloso	Maria Perkins
Associate Vice President Research Services	Director, Gifts Accounting & Administration and Records
epelosol@upenn.edu	mariak@upenn.edu

2214 GIFT ADJUSTMENT AND REALLOCATION POLICY

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To guarantee the proper allocation of donations and make adjustments to accommodate donor intent or corrections of error in gift recording.

POLICY

The Office of Gifts Accounting & Administration is responsible for the timely and accurate recording, deposit and accounting of all donations and pledges to the University.

The Gifts Office receives gifts via check, credit card, lockbox and in-kind, and is responsible for ensuring that all methods of giving are accomplished efficiently and in compliance with our fiduciary duties.

- All adjustments and reallocations must be submitted via the web. Please allow up to 5 business days for processing.
- The online Adjustment and Reallocation Form(s) can be found on the following web site:

  www.atlas.upenn.edu

- The Gifts Office reviews all adjustment and reallocation requests to ensure that donor intent is met.
- An email will be sent by the Gifts Office confirming its receipt of the request.

2215 GIFT VIA BANK WIRE

Effective: July, 2003
Revised: August, 2012
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure funds donated by wire are received by the University

POLICY

The Treasurer's Office Cash Management department facilitates all gifts received via bank wire transfer. http://www.finance.upenn.edu/treasurer/cashman/index5.shtml#8

If a donor wishes to make a gift to the University of Pennsylvania via wire transfer, the following wire instructions should be used to ensure prompt crediting of funds:

University of Pennsylvania
Gifts Accounting & Administration

BANK WIRE INSTRUCTIONS

INCOMING WIRES FROM DONORS

If a donor wishes to make a gift to the University of Pennsylvania via wire transfer, please provide the following wire instructions to the individual to ensure prompt crediting of funds:

Wells Fargo Bank N.A.
420 Montgomery Street
San Francisco, CA 94101

For Domestic Wires and ACH's
ABA Routing #: 121-000-248

For International Wires Only:
SWIFT CODE: WFBIUS6S
CHIPS: 0407

Account Name: The Trustees of the University of Pennsylvania – Gifts Accounting
Account# 2000030009956
Reference: Donor Name

Important:
Wire Reference-Instruct the sender to provide a reference including a Donor Name. Reference should clearly identify the purpose of the payment to permit our office to identify the wire and to apply proper credit to the ultimate designation.

2216 CREATING A NEW FUND POLICY

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To meet donor intent and to ensure accurate accounting treatment of gifts, the University must create new operating, capital gift, endowment or agency funds. This is the responsibility of the Investment Services Unit of the Treasurer's Office.

POLICY

The minimum amount required to establish an endowed fund is determined by individual schools. There are no dollar limits to establishing operating or capital gift funds. All pledges above $25,000 require a pledge agreement, signed by the donor and the Vice President of Development and Alumni Relations, and must include a schedule of payments, dates and amounts.

Below is a description of each of these types of funds.

ENDOWMENT FUNDS

Provide long term support for the maintenance of the University. There are different types of endowment funds. True endowments, also known as permanently restricted endowments, are generally established with donor-restricted gifts and bequests to provide a permanent source of income. A term endowment, also known as a temporarily restricted endowment, provides support for a specific time period or when specific conditions are met. Time or a specific event prompts the release of restrictions. A fund functioning as endowment, or quasi-endowment, also considered an unrestricted endowment, is a fund that generates income for a specific purpose but is not donor-restricted. The donor has imposed no restriction, but the board has designated this fund for investment.

CURRENT RESTRICTED FUNDS

Are gifts received from a donor, temporarily restricted for a specific purpose.

CAPITAL GIFT FUNDS

Are gifts received from a donor which are restricted to a capital project, such as building renovation or construction.

AGENCY FUNDS

Are resources held by the University as an agent for a third party. The University has little or no discretion over the use of these resources.

To request the establishment of a new fund, a new fund request form must be completed and signed by the school senior business administrator and an Atlas designation request form must be completed and signed by Development and Alumni Relations. The forms must be submitted to Investment Services, 427 Franklin Building/6205. Appropriate documentation must accompany the request. (For example: a signed pledge agreement, donor letter, and/or solicitation letter) All original documentation including fund agreements must be sent to Investment Services for safekeeping. For capital funds, a project related program code is also required to establish the fund.

All requests for new grant funds should be referred to the Office of Research Services. Unlike gifts, grants involve a quid pro quo transfer of goods or services or property rights.

2217 DONOR ADVISED FUND

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To accommodate the needs of donors who wish to contribute to the University through Donor Advised Funds.

To identify and meet relevant legal and tax issues associated with Donor Advised Fund.

POLICY

Donors may wish to contribute using a Donor Advised Fund. Some Charitable Gift Funds or Donor Advised Funds require submission of a Grant Eligibility Application before making gifts to Penn. It is the responsibility of the Vice President of Finance and Treasurer to sign all such applications. A copy of the University's IRS 501(c)(3)-determination letter must be attached to each Application. This may be obtained through the Tax Office or the Office of Gifts Accounting & Administration.

2218 LOCKBOX: GIFTS VIA LOCKBOX

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

Lockbox is an electronic tool that offers a convenient method of donating for both the donor and Penn. The University's Lockbox provider bank captures data (i.e., donor identification, fund number, etc.) from a properly formatted pledge card.

The Pledge Card must contained scanline.

All Pledge Cards must be scannable documents and tested/approved by GAA&R and by the banking institution.

[2]

2219 LOCKBOX: CREATING SCANNABLE PLEDGE CARDS

Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To ensure that schools/centers properly format pledge cards to be used for Lockbox solicitations. If pledge cards are not scannable, they cannot be processed in a timely fashion through the Lockbox application.

Lockbox Template Program

I. The Lockbox Template Program

a. Template pre-designed and pre-approved by Gifts Accounting, Administration and Records

b. All pledge cards must be tested and approved by GAA&R and by the banking institution

c. DAR Reports will work with you to pull and segment your donor information

e. Central Development will cover the cost of printing of the return Business Reply Envelope (BRE)

2220 PAYROLL DEDUCTION GIFTS FOR PENN EMPLOYEES

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To guarantee the accurate collection of information from both the donor (Penn employee) and Office of Development and Alumni Relations for gifts made via payroll deduction.

POLICY

The Office of Gifts Accounting & Administration is responsible for recording in the all gifts made via payroll deduction by Penn employees. The Gifts Office also makes certain that pledges are reduced appropriately and deduction requests are forward to Payroll.

All payroll deduction requests should be sent directly to **Gifts Accounting & Administration, 433 Franklin Building/6205.**

Payroll Deduction Transmittal Form

The Payroll Deduction Transmittal Form can be found on the following web site:

⇒ www.atlas.com

This form must be completed by both the donor and the Development Officer. The Development Officer is responsible for submitting the form directly to the Gifts Office before the monthly deadline which is the first Friday of each month.

Deadline

The Gifts Office works on a specific timeline to meet Payroll's deadline for all deductions. Payroll deduction requests must be submitted to the Gifts Office no later than the first Friday of each month.

Important: The Payroll Deduction Gift Transmittal Form is used in lieu of the Gift and Pledge Transmittal form.

2221 PLEDGE: MANAGEMENT PROCESS

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

To document the policies of pledge agreements and payment schedules.

POLICY:

Pledges represent a basic tool for soliciting and obtaining gifts for a variety of institutional purposes. Multi-year pledges play a particularly important role in major gift solicitations since they enable donors to manage their cash flow effectively and take advantage of tax-planning strategies that can maximize the value of their gifts. Pledges committed over specific periods of time, and the scheduled payments made to fulfill them, contribute to effective financial management by the University. They provide schools and centers with a clear idea of when and how to expect cash payments as plans proceed for implementing either programs or construction projects. Managing the pledge process effectively is critical to the financial stability and long-term growth of the University.

Gift Pledge receivable balances and discounts are reconciled monthly between the Gift System and General ledger. Items $1M or greater are corrected in the current month. Other items are generally corrected the following month. Items over 90 days are generally written off.

Agreement:

The pledge management process should begin with a clear and comprehensive written pledge agreement, which is an integral tool in managing the relationship between a donor and the University. A signed pledge agreement sets expectations and responsibilities for the donor and the University by outlining the intent of the gift, a payment schedule, and any special conditions regarding the gift.

Payment Schedule:

The standard pledge payment schedule for a non-annual fund gift of $25,000 or more is five years with equal payments each year. Donors are permitted to pay over a shorter period of time. However, if a donor requests a payment period greater than five years, the development officer needs the approval of his/her Dean or Center Director, and/or the Vice President for Development and Alumni Relations. The extension payment schedule will be granted only under exceptional circumstances. If a payment schedule for an existing pledge is renegotiated for a new fulfillment period longer than five years, it also requires the same approval by the parties listed above

2222 PLEDGE AGREEMENTS

Effective: July, 2003
Revised: March, 2007
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

The University of Pennsylvania, having adopted SFAS No. 116 in fiscal year 1996, records unconditional promises to give in its financial statements when sufficient evidence indicates that a promise to give has been made.

POLICY:

Evidence of a pledge can be written or oral but must be put into writing for submission to the gift and financial systems. All documentation must be verifiable.

Promises to give $25,000 or more must be supported by an **executed** pledge agreement. The donor's expected fulfillment date must be documented within the pledge agreement. Promises to give $100,000 or less are considered to be payable over five years unless otherwise documented by the donor. [Note: The fair value of unconditional pledges incorporates a discount commensurate with the timing of the anticipated payment stream].

All drafts of pledge agreements must be submitted to the Office of Planned Giving for their review and approval prior to signatures being obtained.

The required signatures for pledge agreements are: Vice President for Development and Alumni Relations, Dean of the School or Director of the Center, and the President of the University of Pennsylvania $1M and above.

Documentation of all pledges must be kept on file in Gifts Accounting & Administration, Room 433 Franklin Building/6205, and made readily accessible to auditors during the lifetime of the pledge. All original, signed documents must be sent to the Treasurer's Office for safekeeping. It is the responsibility of the Office of the Treasurer, Office of Development and the school/center business administrators to ensure fiduciary responsibility to preserve the donor's intent.

Promises to give with conditions placed against the pledge are recorded as conditional

2223 PLEDGE: ESTABLISHMENT OF RESERVE ALLOWANCE

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

To ensure that the University appropriately records contributions receivable on its balance sheet, and a reserve allowance must be made for doubtful accounts.

POLICY:

The treatment of past due pledges impacts the University's financial position. Pursuant to FASB Statement No. 116, the present value of net unconditional pledges is required to be recorded as an asset on the University's balance sheet and as a contribution on its statement of activities. The methodology for determining net unconditional pledges involves (1) applying a discount to the value of outstanding pledges to adjust for the "time value of money" and (2) developing an estimate of an allowance for the portion of pledges determined to be uncollectible.

2224 PLEDGE: PAST DUE PLEDGES

Effective: July, 2003
Revised: August, 2008
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

To ensure that the University appropriately records contributions receivable on its balance sheet, the University must have policies for appropriately recording and managing past due pledges.

POLICY:

Pledge bills and resolving past due pledges:

- Bills are generated by the Atlas System and sent to donors following a review by the appropriate development officer. {Billing instructions are recorded on Atlas based on donor instructions from the pledge agreement.}
- The Office of Gifts Accounting & Administration generates reports of outstanding past due pledges for development officers and senior business administrators to review.
- Following the review of these past due pledges, development officers must make attempts to contact donors within in order to resolve the outstanding past due balance
- The University will reserve against all past due pledge receivables

Revising pledge agreements to resolve past due pledge issues:

- All new payment schedules must be in writing and signed by the donor
- Development officers can not revise the anticipated fulfillment date of a pledge without the approval of the Vice President for Development and Alumni Relations
    - Revisions are appropriate only if there has been a change in the donor's financial circumstances or there exist other extenuating factors that preclude payment on the original schedule. Such a pledge then becomes conditional
    - All revisions require the approval of the Vice President for Development and Alumni Relations
- Revision of pledge agreements for building projects or other restricted gifts of a time sensitive nature requires the approval of the school/center's Business Administrator in addition to the Vice President for Development, prior to the execution of the revised pledge fulfillment schedule
- If a payment schedule is revised for a pledge of $1 million or more, the development officer must notify the Vice President of Finance and Treasurer, in writing, of the new fulfillment terms
- If a revised payment schedule for a pledge of $1 million includes a fulfillment period of more than five years, it must be approved by the Dean or Center Director, the Vice President for Development and Alumni Relations, and the President

- The Vice President for Finance and Treasurer should be informed of all such changes
- Pledges in the amount of $25,000 and below which are past due five years or more are automatically written off by the Office of the Treasurer.

2225 PLEDGE: WRITE-OFF

Subject: Gift Policy
Effective: July, 2003
Revised: May, 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

If a donor is unwilling or unable to fulfill a pledge, the pledge is classified as uncollectible. The decision to write-off pledges impacts the University's Contributor Relations (Atlas) system, but may have no net impact on the University's balance sheet if the pledge had been fully-reserved. While the write-off of such a pledge reduces gross pledge receivables, net pledge receivables would remain unchanged.

POLICY:

To write-off a pledge, there must be documentation from the donor or, if no such documentation can be received, from the development officer who attempted to obtain such documentation. Depending on the dollar value of the pledge and its purpose, various officers must be involved in the decision to write-off a pledge. For pledges over $250,000, the decision whether or not to write off a pledge is made by the Vice President for Development and Alumni Relations and Vice President for Finance and Treasurer. Pledges should be written off when there is relative certainty that no further payments will be received. Based on historical studies, pledges which are two years beyond their final fulfillment date will be written off, unless Development Officers have received other indications.

The Vice President for Development and Alumni Relations notifies the Development Committee of the Board of Trustees of the number of unpaid pledges and their value that have been approved for write-off during the course of each fiscal year. The Vice President for Finance and Treasurer also reports to the Audit & Compliance Committee of the Board of Trustees the number of pledges and outstanding balance that have been approved for write-off at the end of each fiscal year.

Non financial pledge write-off process – These pledges have no financial statement impact and are not expected to be collected. This process will run annually in October and will write-off any outstanding annual pledges due by June 30th of the previous year.

2226 GIFT SUSPENSE POLICY

Effective: September, 2006
Revised: January, 2016
Last Reviewed: April, 2016
Responsible Office: Treasurer
Approval: Treasurer

PURPOSE

When a donor makes a restricted gift to the University but does not immediately communicate the specific restriction, the University will hold the contribution in suspense until it has received notice of the restriction or one year, whichever is earlier. The purpose of this policy is to set the procedure for moving such contributions from suspense to the properly designated fund.

POLICY

The Office of Gifts Accounting & Administration ("Gifts Office") reports suspense activity monthly to all schools and centers. The report is directed to both Development and Business Office Officers for their review and action.

After review, the school/center should notify the Gifts Office of the gifts to be moved from suspense and should provide the information regarding the appropriate fund as designated by the donor and agreed to by the University. If a new fund is to be created, the school/center should refer to Policy #2216 -Creating a New Fund.

When a gift has been held in suspense for 90 days without further designation, the Gifts Office will move it to an endowment suspense fund specific to the school/center, creating such a fund if necessary. This transfer will not occur so long as AIF minimum investment policy of 5 years is in effect.

1. While in the endowment suspense fund, the gift will earn income and appreciation, but no distributions will be made from it.
2. Reporting will be obtainable through the business office of the school/center.

When the gift has been held in suspense for 9 months, the Gifts Office will require the school/center to initiate a formal written request to the donor to designate a purpose for the gift, indicating that if one is not received by the one-year deadline, the fund will be transferred to a fund that the school/center Dean determines is a close as possible to the intention of the donor, to the extent that is known. The school/center may suggest a purpose or purposes in the letter if that is appropriate. At the end of the one year period, if the donor has not designated a purpose, the Dean shall direct the transfer from suspense to the new fund he or she has so designated.

2227 WHAT IS A GIFT?

Effective: March, 2007
Revised:
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To define what constitutes a donation to the Trustees of the University of Pennsylvania as well as defining who can properly receive, record and receipt gifts to Penn.

POLICY

1. What is a Gift?

   a. A donation to Penn must be

      i. an irrevocable transfer of ownership or title
      ii. in the interest of and for the benefit of Penn
      iii. without donor imposed conditions

2. Who can accept Gifts on behalf of the University of Pennsylvania

   a. Any University agent acting in the interests of Penn, including trustees, faculty, staff or other entity performing as an agent of Penn

      i. with the following limitations:

      1. Gifts of Real Estate and Stocks and Bonds must be approved through the Office of the Treasurer
      2. Gifts of Artwork must be approved through the Office of the Curator (see also Policy: Gifts of Artwork)
      3. Gifts of Services – Not accepted
      4. Gifts of Equipment Bonds must be approved through the Office of the Treasurer
      5. Gifts of Copyrights Bonds must be approved through the Office of the Treasurer

3. Who can receipt a gift?

   a. The Office of the Treasurer is the only office authorized to receipt a gift; this included: cash, credit card, and securities.

4. It is the responsibility of the DAR representative to inform the appropriate offices of the contribution. If the agent is not a DAR representative, then Gifts Accounting and Administration should be notified as soon as possible.

Financial Policy Manual

2228: ESTABLISHING & CLOSING GIFT, ENDOWMENTS & AGENCY FUNDS

Effective: March, 2007
Revised: March, 2011
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

POLICY

The Office of Trust Administration administers Penn's endowments and other restricted gifts to ensure their use is compliant with donor wishes or relevant laws. It also has responsibility for monitoring and administering Penn's internal and external trusts and annuities.

Trust Administration also ensures that the University follows the donor's wishes in the use of Endowments and Restricted Gifts and maintains all original documents for these restricted funds. All questions regarding the use of these funds should be directed to this office for clarification.

PROCEDURE

Establishing New Funds:

Trust Administration is responsible for the creation of new funds which meet donor requests for operating gifts, capital gifts, and endowments, and for the creation of new agency funds to meet external organization requests. Below is a description of each of these types of funds.

Endowment Funds:

Funds established to provide support for the maintenance of the organization. There are different types of endowment funds. Permanent endowments are generally established with donor-restricted gifts and bequests to provide a permanent source of income. A term endowment provides support for a specific time period. A fund functioning as endowment or quasi- endowment is a fund that generates income but is not donor restricted.

Operating Gift Funds:

Established to hold gifts received from a donor or donors which are restricted for a specific operating purpose.

Capital Funds:

Established to hold gifts received from a donor or donors which are restricted to a capital project, such as building renovation or construction.

Agency Funds:

Resources held by the University as an agent for a third party. The University has little or no discretion over the use of these resources.

To request establishment of a new endowment, gift, or agency fund, a new fund request form must be completed and signed by the school senior business administrator. Appropriate documentation must accompany the request. All original documentation including fund agreements should be sent to Trust Administration for safekeeping. For capital gift funds, a project related program code is also required to establish the fund.

Request for new grant funds should be referred to the Office of Research Services.

Closing Endowment, Gift, and Agency Funds

Requests to close endowment, gift, and agency funds should be sent to Trust Administration. The following criteria should be met before the request is made:

1. There should be no additional gifts expected for an endowment or gift fund.
2. There should be no additional revenue expected for an agency fund.
3. There should be no additional expenses expected. All automatic feeder expenses should be moved to a different account or discontinued. (For example, Telecommunications, Archives, etc. should be contacted to change any ongoing feeder charges to a different account. All mail cards which map to this fund should be destroyed.)
4. The derived cash balance at each CNAC-Org-Fund combination should be $0.00.
5. All 26-digit account combinations should have an encumbrance balance of $0.00.
6. All 26-digit account combinations with an object code between 1111 and 2999 should have a balance of $0.00. (Please note: For agency funds, if there is a balance in object code 2800 but the balance is offset by the sum of the FYTD balances in object codes 4000-5999, the fund may be requested to be closed.)

Recording Revenue in Agency Funds

Agency funds should never receive gifts nor internal transfers. Agency fund revenue is deposited through BEN Deposits using a revenue object code beginning with 43xx or 49xx. The default object code for agency fund revenue is object code 4920.

In general, no agency fund deposits should be to an object code beginning with 5xxx. In the unusual instance where a current expense is being reimbursed, the object code used for the initial expense should be used for the deposit.

Object code 5500 should not be used for agency fund deposits because this object code should be used only as the credit side of an *internal* expense charge. (For example, if Dept. A provides a service to Dept. B, the journal is a debit to Dept. B's University account using an internal expense object code such as 5221, 5227, 5340, etc. and a credit to Dept. A's University account using object code 5500.) Agency funds should always use *external* expense object codes.

Since agency funds are *external* to the University, neither internal transfers (object codes 482x) nor gift object codes should be used with agency funds.

Note: The 26 digit account for agency funds must follow pattern of:

99x-99XX-x-9xxxxx-xxxx-xxxx-xxxx

2229 GIFTS FROM UNKNOWN DONOR POLICY

Effective: January, 2008
Revised:
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

The University accepts gifts of appreciated securities pursuant to its normal gift acceptance policy. When the University receives securities from an unidentifiable source, the donation will be recorded under "donors unknown." After the securities are sold pursuant to the University's normal policy, the proceeds will be deposited into an operating gift fund pending identification of the donor.

POLICY

- The Office of Treasurer periodically reports unknown donors to Development and Alumni Relations staff to help identify any of these donors.

- The Office of the Treasurer will attempt to match receipts of stocks with prior receipts in an attempt to identify donors.

- Any gift remaining in the operating gift fund referred to above after two years from its receipt by the University will be deposited into the General University Endowment fund and invested in AIF. Income earned from this endowment will be used at the discretion of the Executive Vice President and Vice President of Finance and Treasurer.

- If a donor is identified after the transfer is made to the endowment, the University will transfer the gift value to the purpose determined by the donor, whenever possible.

2230 MEMORIAL GIFT POLICY

Effective: January, 2016
Revised:
Last Reviewed: April, 2016
Responsible Office: Treasurer
Approval: Treasurer

PURPOSE

When a donor makes a memorial gift to the University for which there is not a designation for the purpose of the memorial or where the designation is to create a new endowment, the University will hold the contribution in suspense with other like gifts until it has determined the proper designation for the gifts or one year, whichever is earlier. The purpose of this policy is to set the procedure for moving such contributions from suspense to the proper fund.

POLICY

The Office of Gifts Accounting & Administration ("Gifts Office") reports suspense activity monthly to all schools and centers. The report is directed to both Development and Business Office Officers for their review and action.

After review, the school/center should notify the Gifts Office of the gifts to be moved from suspense and should provide the information regarding the appropriate fund. If a new fund is to be created, the school/center should refer to Policy #2216 -Creating a New Fund. If a new memorial fund remains in suspense after 9 months from the date of the first gift to the fund, the school/center should refer to Policy 2226 – Gift Suspense Policy.

The University's practice requires a minimum of $25,000 to establish an endowed fund. In the event solicitations for the memorial envisioned creating an endowed fund, but by the end of one year from the date of the University's receipt of the first gift to the memorial that threshold has not been achieved, the school/center shall have the discretion to direct the use of the gifts to a proper memorial, including moving the funds to a current Dean's endowment

2231 GIFTS OF REAL ESTATE

Effective: March, 2010
Revised:
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

Efficient and cost-effective review of proposed gifts of real estate interests to the University of Pennsylvania.

POLICY

The University will review all proposed gifts of real estate interests submitted by a Development Officer to the Office of Gift Planning. The Real Estate Gift Acceptance Committee ("REGAC") will review all proposed gifts. REGAC is comprised of a designated representative from each of the following University departments: Development and Alumni Relations (DAR), Office of Gift Planning (OGP), Finance and Treasurer (Treasurer), Office of the General Counsel (OGC), and Facilities and Real Estate Services (FRES) (as needed). Upon completion of its review, REGAC will recommend final acceptance or rejection of the proposed gift. It is the University's policy to dispose of all gifts of real estate as expeditiously as possible, unless the property is specifically identified for acquisition in the Campus Master Plan.

Gift Types

Real estate interests may be accepted in six potential gift structures:

- Outright gift of the entire property
- Undivided percentage interest
- Bargain sale
- Charitable remainder unitrust with a “flip” provision
- Deferred Charitable Gift Annuity
- Retained life or term estate

Minimums

Gifts of real estate interests should meet minimum net value thresholds to the University to merit consideration for acceptance:

- $100,000 for gifts of property in the United States
- $200,000 (US) for gifts of property outside the United States

For outright gifts, the minimum net value will be determined by the property's fair market value. For life income gifts, the minimum net value will be the calculated charitable deduction value.

Timing

REGAC will review proposed gifts of real estate subject to the following time constraints:

- Proposed gifts presented after October 15 cannot be guaranteed to be accepted in the current calendar year
- Proposed gifts presented after December 1 will automatically be reviewed in the following calendar year

Prospective donors should be informed of these time constraints in advance of the gift review process. All efforts will be made to complete the review and decision process in a timely but thorough manner.

Gift Credit

Outright gifts of real estate interests will be counted for crediting purposes at their fair market value. The fair market value will be determined by a qualified appraisal provided by the donor. The University reserves the right to obtain its own appraisal in the absence of a donor appraisal, or if the donor appraisal is deemed unreasonable. The University reserves the right to adjust the gift credit to the net sale proceeds within three years of the gift date. For life income gifts, gift credit will be determined by the University's policy for life income gifts, which allows a credit for the calculated charitable deduction of the gift.

Receipts

Receipts issued by the University's Treasurer will have no value stated for gifts of real estate interests. The receipt will describe the property and the date of the gift.

Support

REGAC will be responsible for maintaining all documentation in support of this Policy, including but not limited to:

- *The Real Estate Gift Acceptance Process*
- *Procedures for Accepting Gifts of Real Estate*
- *Value Guidelines for Real Estate Gifts*
- *Allocation of Expenses Related to Gifts of Real Estate*
- *Preliminary Property Intake Form*

Please contact the Office of Gift Planning for copies of these related documents.

2232 PLEDGE RECEIVABLE REVIEW MEETING

Effective: July, 2010
Revised: May 2015
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

BACKGROUND:

On a quarterly basis a group of Senior Management reviews pledge receivables greater than or equal to $250,000.00 with a past due payment balance greater than 60 days. The Senior Management group consists of representatives from the following functions: Office of the Treasurer, Development and Alumni Relations, Office of the Comptroller, Director of Data Services, and Director of Gifts Accounting & Administration (GAA).

PROCESS:

Prior to each scheduled meeting, a report indicating donors with payments past due on outstanding pledge receivables is emailed to the schools/centers development office contacts for their review and to update with the most recent information available on their ongoing communications with the donors. The responses received in GAA from the schools/centers development office contacts are then added to the spreadsheet, along with the contact's name, alongside of each pledge.

This school/center development office contact responses are reviewed, along with other pertinent financial information, at each of the quarterly review meetings.

The aforementioned report begins with those pledge receivables that the management group previously decided to fully reserve during prior quarterly meetings. The management group reviews each of these and determines which, if any, of the fully reserved pledge receivables should be written-off based on the current information available at the time of the meeting.

The next section of the report lists donors with payments past due on outstanding pledge receivables that have not yet been reserved, to be reviewed at the current meeting. Each one of these identified pledge receivables contained in this section are individually reviewed by the group and a determination is made as to collectability, or in the absence of sufficient information, to follow up at a future specified date or the next scheduled meeting.

The decisions made at this meeting are summarized into an action plan. The action plan involves GAA personnel updating ATLAS and preparing the requisite journal entries to be recorded in BEN Financials general ledger to properly reflect those decisions made by the management group.

2233 UNREIMBURSED EXPENSES

Effective: March, 2008
Revised:
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

POLICY

Unreimbursed personal expenses incurred while acting as a volunteer for the University may be tax deductable but are not recorded by the University as gifts. Such expenses may include travel, accommodations or hosting an event on Penn's behalf. Volunteers should consult their tax advisor regarding these matters.

PROCEDURE

The University may thank and acknowledge volunteers for unreimbursed expenses. Sample language is as follows:

"On behalf of the University of Pennsylvania, I thank you for (describe services performed, e.g. hosting XYZ event - explain the purpose of the event and how it benefited Penn). The University acknowledges that it did not reimburse you for any out-of-pocket expenses that you incurred in connection with providing the services. The University did not provide any goods and services to you in consideration for the services you provided or for any unreimbursed expenses that you incurred."

2234 INDIRECT COST RECOVERY

Effective: January 1, 2015
Revised:
Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

Endowment and program gift funds established by donor gifts support direct expenditures related to the specific restricted gift purpose; however indirect costs are not supported directly by the restricted endowment and program gift funds. The indirect cost recovery policy allows for the benefitting school or center to recover a portion of these indirect expenses used in support of the endowment or gift program.

POLICY

- Restricted endowment and program gifts are typically subject to an indirect cost recovery policy which provides that a portion of program gifts or income from endowment funds be retained by the school or center, to be applied to offset the full costs associated with the specific restricted gift purpose.

- These costs include school or academic center expenses that are necessary to support the endowment or gift program, such as lighting, heating, and other facilities costs, and administrative costs incurred by the schools and centers such as information technology, safety and security, human resources, finance, treasury, audit, and fundraising.

- The current indirect cost recovery rate, which has remained constant since 1996, is equal to 20% of program gifts or 20% of income from endowment funds, as applicable.

- All restricted endowment and program gifts are subject to indirect cost recovery unless determined otherwise by the school dean or center director.

2235 GIFTS TO CLASS FUNDS AND REUNIONS

Effective: May, 2010
Revised:
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE

To document the University's financial policies and practices related to alumni class funds (e.g. class scholarship funds) and reunion funds.

POLICY

The University supports the efforts of alumni classes to raise donations for group funds such as class scholarship funds and reunion project funds. The University's development effort and policies related to reunion projects are managed by the Penn Fund staff in Development and Alumni Relations. Any endowed class fund (e.g. a class scholarship fund) that is established will be invested by the University. The University may pool and manage the endowed class fund with its other endowed funds in accordance with regular University investment and management policies. Net income from the endowed class fund, as determined by application of the University's spending rule policy, as it may be amended from time to time, may be used for any purpose in support of the endowed class fund. If the alumni class raises funds in excess of the amount necessary for the endowment's stated purpose, or if the purpose of the endowed fund becomes impracticable for the University to carry out the specific terms of the endowment, the president of the University shall have the discretion to direct the use of the endowed fund, or any excess funds, for a purpose as close as possible to the original purpose of the fund.