

**UNIVERSITY OF PENNSYLVANIA
GENERAL GUIDELINES FOR COUNTING
GIFTS AND COMMITMENTS**

This document (including appendices) defines and clarifies the guidelines for gift counting and recording by the department of Development and Alumni Relations at the University of Pennsylvania in order to ensure uniform standards, over time, across all areas of the University. They will be applied effective January 1, 2013, and will remain in force until revoked or revised. They will be reviewed periodically by the administration and the Trustees Development Committee. The Senior Vice President for Development and Alumni Relations, working closely with the Treasurer's Office, has responsibility for managing and applying these policies. Final responsibility for interpreting University policy shall rest with the Trustees Development Committee.

The University of Pennsylvania complies with all applicable state and federal laws and adheres to management and reporting standards published by NACUBO (National Association of College and University Business Officers) in *Management Reporting Standards for Educational Institutions: Fund Raising and Related Activities*, and the Council for Advancement and Support of Education's *CASE Reporting Standards & Management Guidelines for Educational Fundraising* (4th edition, 2009).

1. Commitments made and outright gifts paid (including those to annual giving programs and memberships) in any given fiscal year will be counted in that fiscal year.
2. In accordance with guidelines established by CASE and the Council for Aid to Education, multi-year commitments that are scheduled to be paid within five years shall be counted in full. Credit for commitments extending beyond five years will be reviewed by the Senior Vice President for Development and Alumni Relations and, in the discretion of the SVP and the President, by the Trustees Development Committee. All multi-year commitments of \$25,000 or more require written documentation (such as a gift agreement or statement of intent) between the University and the donor that outlines the terms of the commitment, including the amount, payment schedule, and designation. Multi-year commitments under \$25,000 require written confirmation by either the University or the donor.
3. Gifts will be counted based on their value as determined by generally accepted criteria set forth by the United States Internal Revenue Service for federal income tax purposes (commonly referred to as the income tax charitable deduction value), unless indicated otherwise herein.
4. Estate intentions, including but not limited to advised bequests, living trusts, beneficiary designations on life insurance policies or retirement plans, fully paid-up director's life insurance policies, payable-on-death designations for bank accounts or stock portfolios, and other instruments effective upon the death of the donor, will be entered as a commitment only in those cases where the donor is at least age 75 (in the

case of a second to die designation, the average age of the two donors must be at least age 75); and ii) executes a written agreement with the University, making the commitment binding against the donor's estate. Credit will be the present value of the commitment on the date the donor executes the written agreement with the University, as determined by the formula described in Appendix A.

5. Received bequests not previously counted, or amounts in excess of the face value committed under the previous paragraph, will be counted when received.

6. Charitable lead annuity trusts and charitable lead unitrusts will be counted on the date the donor irrevocably designates the University to receive distributions, or the date the University is provided documentation of said irrevocable designation, whichever is later. All distributions scheduled to be received within five years of that later date will be counted at fair-market value. All distributions scheduled to be received after the 5-year period will be discounted to present value, using the methodology described in Appendix A. For the purposes of this calculation for charitable lead unitrusts, the investment return shall be assumed to be the discount rate in effect on the date the gift is counted.

7. Corporate sponsorship dollars will be counted unless the recognition provided by the University constitutes "advertising" in accordance with IRS guidelines and as described in CASE standards.

8. Except as otherwise provided, grants and gifts from corporations, foundations, and other organizations in support of the University's research, programs, or research projects are counted. Grants and gifts that are not counted include:

- Domestic or foreign government-sponsored grants, those from organizations having government flow-through funding, clinical trials and phases, and contracts.
- Grants and gifts from health systems, hospitals, clinics, and educational institutions.
- Grants established by an agreement between Penn and an entity to provide an economic benefit such as compensation to that entity, resulting in a quid pro quo relationship.

Rarely, and only with permission from the Senior Vice President for Development and Alumni Relations, larger grants (\$1 million+) may be counted as a pledge provided the grant letter includes a payment schedule. A school or center may petition the SVP to count as a pledge a grant less than one million dollars with the same requirements as larger grant amounts.

9. Life-income and term-of-years gifts irrevocably designated for the University will be counted at their present value (as represented by the income tax charitable deduction value). For such irrevocable gifts established outside of Penn, the date for determining the value will be the later of the date the donor irrevocably designates the University to receive distributions, or the date the University is provided documentation of said irrevocable designation. Such gifts without an irrevocable designation will not be counted until they mature.

10. Complex asset type gifts (real estate and tangible personal property; non-publicly traded financial interests; intellectual property) will be counted at their fair market value. For gifts with a fair market value of \$5,000 and above, 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. In the absence of an appraisal, the gift will be counted at \$1. For gifts with a fair market value of less than \$5,000, the fair market value may be determined, at the University's discretion, by any reasonable valuation tools permitted by IRS guidelines or described in CASE standards. In the event the University in its discretion elects to sell the donated asset within three years after donation, it reserves the right to adjust the gift credit to the net sale proceeds.

11. Perpetual charitable trusts administered by others and supporting organizations irrevocably established on behalf of Penn will be counted at face value on the date they are funded, or the date they are irrevocably designated for Penn, whichever is later.

12. Life insurance policies that are donated will be counted at the cash surrender value.

13. Gifts made to a Penn Donor Advised Fund account are not credited for either counting or recognition purposes when assets are transferred into the DAF account. When the donor recommends a distribution to Penn, it will be counted in the fiscal year in which it is made; the donor will receive soft credit and the DAF account will receive hard credit.

14. Additional counting issues will be reviewed from time to time as appropriate. The Senior Vice President for Development and Alumni Relations and, in the discretion of the SVP and the President, the Trustees Development Committee will address all issues arising from these guidelines and will rule on exceptions.

Appendix A

$$PV = FV / (1 + R)^n$$

PV = present value

FV = future value (gift amount in estate intention)

R = assumed interest rate (Federal discount rate/Sec. 7520 rate)*

n = number of years into future (life expectancy from 2012 IAR mortality tables)

*These values are consistent with those used to determine the income tax charitable deduction for life-income gifts to the University, rather than an assumed investment rate of return or the higher education inflation index, per CASE guidelines.

Sample Calculation

Donor Age 75

$$PV = FV / (1 + R)^n$$

$$PV = \$1,000,000 / (1 + .052)^{12.4}$$

$$PV = \$533,340.82$$