Operating Policies for Development

Introduction

Philanthropy plays an increasingly important role in the financing of the University of Wisconsin-Madison and its select affiliate organizations including UW Health and the Wisconsin Alumni Association (henceforth “the University”). The cornerstone of successful development is a donor base that has confidence and trust in the University and also feels respect, gratitude and sensitivity from the University. Maintaining a spirit of collaboration and cooperation across the development enterprise is essential to creating that goodwill with our donors. This document is an articulation of operating policies that we believe will best serve the short and long-term interests of donors, the University and its individual schools and colleges collectively.

This memo defines development terminology (Appendix A), describes major gift and annual fund development processes, and delineates those responsibilities that typically reside with University staff and/or University of Wisconsin Foundation (henceforth “the Foundation”) staff. It also describes the financial relationship between the University and the schools/colleges (henceforth “S/C”), units (i.e. departments, programs, institutes, centers, etc.) and the Foundation vis-à-vis the development program.

This policy memo is approved by the Chancellor, Provost and S/C Deans of the University and the President and CEO of the Foundation. These policies apply to all gift procurement activities of the Foundation, the University, and other affiliated organizations on behalf of the University and/or its schools, colleges, and affiliated organizations. A memo outlining gift acceptance criteria and use (Appendix B) and a document detailing the definitions of gifts vs. sponsored projects (Appendix C) are included.

Background

The Foundation raises, invests, and distributes funds to benefit the University. The Foundation is organized into four distinct operating units: Development, Investments, Information and Operations. These operating policies are focused mainly on the development function, which requires extensive cooperation between the Foundation and the University.

The goal of the development and fundraising program is to maximize the impact of gift support on the University that comes from alumni, parents, friends, patients, clients, corporations, associations, and foundations. The Foundation exists as a separate non-profit entity to ensure greater protection of confidential donor information and security of private financial resources. This would not be possible within the University, given its status as a state agency.
This separation of entities whose missions are so closely intertwined makes it essential to develop a clear set of operating policies for the greater good of both donors and the University, in an environment where admittedly many individual situations may involve conflicts of interest (e.g., two schools seeking a major gift from the same donor) or misalignment of incentives across units within the University or between the University and the Foundation. Our goal is to increase transparency, collaboration, and alignment in an effort to increase private support for the University and its S/C units.

The Foundation employs major gift development officers that serve the University and its S/C units. The majority of major gifts development officers are assigned to an S/C (or in some cases department or unit). The Foundation’s employment of the development team facilitates information sharing across units and coordination in development activity with our donors. Recruitment, retention and career advancement of development professionals by a single organization also allows for implementation of industry best practices and mentoring.

The Foundation’s central infrastructure includes unassigned development directors working on principal gifts, planned gifts and corporate/foundation relations. It also includes administrative support staff, and staff in research, marketing/communications, annual giving, information technology, gift processing, data and records management, events, stewardship, database services, finance/accounting, legal, human resources, facilities, and investments. These staff members work on behalf of the institution broadly and can be a resource for S/C development teams when appropriate and available.

The Foundation expends earned revenues on development, operations and investment staff, and related activities. The Foundation’s revenues are generated from two primary sources: 1) a 1% expense recapture fee charged on all endowment accounts and 2) a variable excess return on expendable accounts (the Foundation pays a guaranteed rate on expendable funds and invests a portion of these funds in instruments with a higher expected, but uncertain, rate of return). These two sources typically account for 90% or more of the Foundation’s budget. Expense recapture fees are a standard source of revenue for foundations that support public universities. Our recapture rate of 1% is lower than most of our peers. The Foundation does not raise specific gift funds to finance its own operating budget. Additional revenues result from that portion of development director salaries charged to individual S/Cs and fees for annual giving operations.

University leaders are central players in the development mission. They develop and articulate the vision and strategy for their units, allocate the resources to pursue objectives, and communicate progress to stakeholders through various media. The Deans, Directors, and in some cases Department Chairs are the leaders of their unit’s development effort and, as such, have an important role in hiring, promotion, and retention decisions related to the development staff.

**General Operating Policies**

1. **Foundation Development Resource Allocation**: The President of the Foundation is responsible for resource allocation across various activities within the Foundation. S/C units will be assigned development resources (including development directors) based on mutual agreement between the Dean or campus leader and the Foundation President
under a shared cost model. Decisions on as development resources for units outside the University’s S/C structure (e.g., centers, institutes or program areas) will be made by the Chancellor and President of the Foundation.

2. **Staffing:** The Foundation hires, employs, sets expectations based on industry best practices, evaluates, and promotes development directors assigned to specific units in consultation with the appropriate Dean or campus leader (the Dean may delegate their authority to a department chair or other administrator). When a development director is assigned to a specific S/C, department or other unit, an Agreement to Employ document detailing policies and funding will be signed by the Foundation and the appropriate campus leader. (Appendix D includes a sample Agreement to Employ).

Schools and colleges are encouraged to hire other advancement professionals, including alumni relations and/or marketing and communications staff. Foundation staff and these S/C advancement staff can form an advancement team for the S/C which can greatly improve development outcomes by building understanding, confidence and trust in the S/C unit and its leadership with key audiences. A sample organizational chart for an S/C unit is shown in Appendix E.

With Dean and Provost approval, units may hire development staff outside of the Foundation. In order to potentially access Foundation resources, at a minimum, these staff must 1) participate in the Foundation training program, 2) share information on priorities, contacts and solicitations with the Foundation, and, 3) coordinate with the Foundation on any solicitations of identified major gift prospects.

3. **Cost Sharing:** Units with assigned development directors will be responsible for paying 80% of the salary of all assigned development directors employed by the Foundation and all travel expenses for their development team. The unit will be using non-state funds to make these payments. The Foundation pays 20% of assigned development director salary and all fringe benefit and infrastructure/support costs associated with development directors (resulting in an all-in cost sharing model of approximately 50/50 between S/C and the Foundation for each development director). S/Cs are also charged a monthly fee from June through December each year to help offset the costs of a centralized annual giving campaign. Annual giving costs will be determined based on the number of S/C’s alumni who receive direct mail or phone contact during the annual campaign. This expense sharing policy is subject to change. A detailed development expense forecast will be provided annually to each unit that is charged for development expenses.

4. **Chancellor’s Prospects:** At any given time, individuals or entities may be identified as Chancellor’s Prospects based on their gift capacity, relationships, and potential broad interests in the University. Members of the Chancellor’s Development Team will serve as the relationship managers for these identified individuals. The Chancellor or the Chancellor’s designee will play a leadership role in any gift proposal involving a Chancellor’s Prospect. S/Cs are expected to have gift ideas and proposals for Chancellor’s Prospects and these opportunities will be incorporated into the plan for
these individuals. Any potential gift proposal for a Chancellor’s Prospect must be coordinated through the Chancellor’s Development Team.

5. **Recording, Sharing and Storage of Information:** To foster a culture of collaboration and to manage relationships with our alumni and friends in a respectful manner, it is imperative that all pertinent information regarding major gift prospect activity be available across the development enterprise. Therefore, information on all donor contacts must be recorded so that it may be shared and stored. Foundation development staff and S/C advancement team members share a responsibility to keep others informed of prospect activity, both formally (by updating the prospect tracking system and sending written communications to the Foundation), and informally (through regular communication). These updates should be entered in a timely fashion—within two weeks of the contact to ensure real-time quality to the prospect information.

**Development Campaigns/Projects**

1. **Comprehensive Campaign:** A comprehensive University-wide campaign is an organized, intensive fundraising and engagement effort designed to secure extraordinary gifts and involvement during a specified period of time. The University will launch a comprehensive campaign approximately every 10-12 years and the campaign will typically last 5-8 years. Comprehensive campaigns typically include both a planning phase and a public phase and incorporate S/C goals and opportunities, cross-cutting priorities (e.g., faculty support, need-based aid, etc.) and identified interdisciplinary opportunities. Campus leaders play a key role in identifying campaign priorities, engaging potential donors and volunteers and stewarding gifts during a campaign.

2. **Annual Campaign:** University annual giving efforts include two important components: 1) Leadership Annual Giving and 2) an integrated marketing campaign that takes place annually in the fall.

S/Cs and units play a crucial role in both components of annual giving. Most importantly, Deans and Department Chairs are responsible for developing and communicating a strong strategic vision and goals for their units. S/Cs and units are also responsible for stewarding annual donors through communications and activities that highlight the impact of annual gifts. Stewardship and recognition of annual donors is the best way to retain donors to specific units. Appendix F includes a diagram of the annual giving cycle and a table outlining primary and secondary responsibilities for Foundation and faculty and staff.

To ensure the best results for the annual giving marketing campaign, and to be respectful of our alumni and friends who receive a number of communications from the University, schools/colleges and units are not allowed to send broad one-to-many solicitations (i.e. email or direct mail) to alumni during a designated annual campaign time period (typically October-November). Outside of the University’s annual campaign period, S/C and units should coordinate with the Foundation on the timing
and content of broad direct response solicitations. Passive solicitations like including a gift envelope in a newsletter/magazine or including a link to a gift form in an email or on a website are acceptable and encouraged.

3. **Centrally Supported Campus Projects:** At any given time, a handful of UW development objectives will receive central support from the Chancellor and the Foundation. These centrally supported campus projects are determined by the Chancellor and Provost in concert with the President of the Foundation. In general, centrally supported campus projects will be initiatives that are interdisciplinary and/or will outstrip the capacity of the S/C or unit leading the project. The Foundation will assist with the development plan for the project and identifying potential donors outside the normal prospects for the unit leading the project.

4. **Unit-Based Major Gift Projects:** Schools/Colleges and the Foundation each play an important role in major gift and leadership annual giving development efforts to support the S/C priorities. These efforts are highly personalized and focus on relationships and interactions with individuals. Appendix F includes a diagram of the individual major development cycle and a table outlining primary and secondary responsibilities for Foundation and Campus faculty and staff.
Roles and Responsibilities: Chancellor and Executive Leadership

1. **Set and Communicate Vision and Priorities:** The Chancellor and designated executive leaders are responsible for setting the priorities for the University. In coordination with the Foundation and based on the development capacity and alternative revenues sources, the Chancellor determines which program priorities should become development priorities.

2. **Development Staffing and Resources:** In coordination with the Foundation, the Chancellor and Provost also determine if and when units outside of the University’s S/C structure can hire development staff through the Foundation.

3. **Chancellor’s Prospects:** The Chancellor is the primary relationship manager for the University’s top donors and potential donors who are identified as Chancellor’s Prospects. Building and maintaining relationships with these key individuals requires a significant time commitment. One or more development directors within the Foundation will work with the Chancellor to create and manage development plans and facilitate cultivation, solicitation, and stewardship of these key individuals.

4. **Interdisciplinary Priorities:** Some transformational gift opportunities may require collaboration between and across S/Cs and units. The Chancellor (and/or designated executive leaders) plays the lead role in determining and prioritizing interdisciplinary opportunities that require collaboration between two or more S/Cs or units. The Chancellor or designee works with the Chancellor’s Development Team to orchestrate engagement of transformational level gift prospects with interdisciplinary opportunities when appropriate.
Roles and Responsibilities: UW School/College/Unit

1. **Setting and Communicating Vision and Priorities:** Deans and unit leaders are responsible for setting the priorities for their respective units. The Dean offers the vision to define and articulate programmatic priorities that will advance their unit. In coordination with the Foundation and based on the development capacity and alternative revenues sources, Deans determine which of their program priorities should become development priorities. Deans are ultimately responsible for building trust and confidence in the strategic direction they set and the progress they are making toward objectives to create a fertile environment for private gift support.

2. **Coordinating Activities and Communication:** Coordination is central to an integrated, collaborative development program that respects donor relationships with the University. Deans should help ensure that the unit’s advancement team members are working at the highest level of coordination and capacity. Coordination on plans for major gift prospects with multiple affiliations is essential. Deans or their designee should prepare an annual development plan describing major and annual fundraising efforts for review by the Chancellor and the President of the Foundation or their designees.

3. **Cultivation:** Once an individual has been identified and qualified as a potential major gift prospect, Deans and their designees are responsible for helping to build a relationship through regular communication (at the appropriate level), in-person meetings, invitations to attend events or visit campus, etc. Major gifts seldom occur without significant cultivation from Deans.

4. **Managing Volunteers:** S/Cs may form volunteer organizations to support fundraising initiatives in consultation with Foundation development staff. Chairs of volunteer groups supporting fundraising programs will be asked to coordinate their activities through a University or Foundation representative, and when appropriate to work together with University-wide volunteer groups, such as Wisconsin Alumni Association.

5. **Solicitations:** In order to ensure coordination of major gift solicitations, the right to solicit must be controlled and those individuals empowered to solicit must be trained in how to develop and coordinate solicitations. Deans are permitted to ask for gifts of any size but all major gift solicitations must be coordinated with Foundation staff assigned to the S/C so that these solicitations can be coordinated in the event the donor has multiple campus interests. As the entity responsible for development coordination across campus units, the Foundation, in consultation with the Chancellor/Provost, may alter the timing or in rare cases prohibit any gift solicitation that it believes is contrary to the best interests of the University or its donors.

6. **Stewardship:** S/Cs are responsible for approving the terms of gift use in the Memorandum of Agreement (a sample MOA is included as Appendix G), thanking and recognizing donors, allocating gift funds as outlined in the MOA and reporting on the impact of received gifts in coordination with the Foundation. Honoring the intended use of the donor’s gift and communicating the impact of a gift is an essential part of showing thanks for a particular gift and it is also the best way to earn confidence and trust with donors.
Roles and Responsibilities: UW Foundation

1. **Investing in the University’s Development Team:** The Foundation is responsible for the long-term development program to secure gift support for the University. This responsibility reaches beyond the tenure of any one university leader. The Foundation recruits, hires, and trains development officers in consultation with the Deans and invests in the infrastructure to support successful development both at the S/C level and at the University level.

2. **Building and Maintaining Relationships and Information on Prospects:** The Foundation is responsible for maintaining a critical development asset: information about prospects including alumni, parents, friends, patients, clients, corporations, associations, and foundations. The Foundation will take the lead in development-related hardware and software assessment, upgrades, and implementation in consultation with key campus partners.

3. **Moving Prospects Through the Development Cycle:** Foundation staff are involved in several critical development functions, including identifying prospects, developing action plans to engage identified prospects, communicating gift opportunities to identified prospects after sufficient cultivation has occurred, closing gifts and coordinating/managing communication, gift solicitation and stewarding gifts.

4. **Communicating and Synchronizing with S/C’s Advancement Team**
   The Foundation is responsible for communicating regularly with the Dean and the S/C’s in-house advancement team. These communications will include reports on the S/C’s development performance. Development staff will also provide mid-year and year-end reviews of performance relative to the S/C strategic plan.

5. **Coordinating Interaction with Chancellor’s Prospects:** The Chancellor’s Development Team will orchestrate increased frequency and quality of interaction with identified Chancellor’s Prospects and other donors with cross-campus interest.

6. **Stewardship:** The Foundation is legally responsible for ensuring the purpose of a gift is properly recorded and the gift is allocated as intended. In addition, the Foundation prepares individual endowment reports outlining investment returns and details on specific use of the fund. This stewardship work is in addition to the stewardship on gift impact outlined in the previous section.

7. **Investment and Management of Assets:** The Foundation invests and manages both endowment and expendable accounts and is responsible for providing timely and accurate information to campus partners about the resources available.
Appendix A: Definitions of Development Terminology

**Advancement**: Strategic, integrated method of building and managing the most important stakeholder relationships through communications, events, alumni engagement and development. Primary disciplines of university advancement include alumni relations, marketing/communications and development.

**Annual Fund (or unrestricted fund)**: A fund that delegates the authority to allocate resources to a specific UW administrator. Gifts made to Annual Funds are typically 1) for current use (expendable), 2) delegate the authority to allocate to a specific school/department/center and 3) recurring or potentially recurring. Gifts to annual funds might range from $1-$100,000 (or more).

**Gift Closing**: Confirming and recording the details of a major or annual gift. A Memorandum of Agreement is required for endowed or restricted gifts when creating a new fund.

**Cultivation**: Building a relationship with individuals who have the capacity and potential interest in making a major gift.

**Expendable Gift**: A gift for current use.

**Endowed Gift**: Endowed gifts are invested in a pool with other endowed gifts and only a percentage (currently 4.5%) of the endowment (calculated over a 16 quarter average) is made available annually for the designated purpose of the gift and is generally designated for a specific purpose. A minimum gift size is required to establish an endowment. The distinguishing features of an endowed gift are that it is invested and the principle must be preserved in perpetuity.

**Leadership Annual Gift**: Leadership-level annual gifts are defined as annual fund gifts of $1,000 or more. When Leadership Annual Gifts are designated to identified priority annual funds, donors qualify for membership in the 1848 Society.

**Major Gift**: Major gifts are defined by their relative size and their transformative nature. Major gifts are extraordinary for both the donor and the institution. This can mean the gift is set up as an endowment but that doesn’t have to be the case. In some cases, gifts have the potential to be more transformative if they are expendable in the near-term. At UW-Madison, a gift of $25,000 or more is considered to be a major gift.

**Planned Giving**: Planned gifts are major gifts made during a lifetime or at death as part of a donor’s overall financial or estate planning. This type of gift typically requires legal and tax advice and expertise.

**Prospect Management & Tracking (PMAT)**: The Prospect Management and Tracking (PMAT) system is the process we use to enhance the efficiency of: 1) the work flow for identification and qualification of leadership annual and major gift prospects and 2) the quality of the University’s relationships with current donors through collaboration and coordination. Coordinated management of prospects is necessary to achieve both institutional and individual unit development goals. Through an orderly process of prospect identification, qualification, cultivation, solicitation and stewardship, gift activity is encouraged and increased. We do this in collaboration to ensure consistent and appropriate engagement of our donors that is aligned both with their philanthropic passions and the priorities of the University as determined by campus leadership.
Qualification: Based on individual meeting and interaction to determine if a potential donor has the interest and means to make a major gift to support the University.

Quasi-Endowment: A gift in which the principal is invested with the endowment pool but is nonetheless expendable in its entirety at the discretion of the unit subject to terms of the gift agreement.

Solicitation: Asking for a gift. A solicitation could be made to an individual or a group, in person, through a written personal proposal or using a mass communication tool. It can be a direct and detailed ask (i.e. ‘Will you consider a gift of $100,000 for the University paid over the next 5 years?’) or something less direct (i.e. ‘We would like each of our board members to consider a gift to the annual fund this year.’)

Stewardship: Stewardship encompasses gift recognition and thanks, gift impact reporting, and donor recognition and engagement.
DATE: November 1, 2011

TO: Deans and Directors

FROM: David Ward, 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

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608/262-9947
- 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, obliterated 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. An 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

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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](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](http://www.uwfoundation.wisc.edu/giftdeposit) 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.
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/ufoundation.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.

<table>
<thead>
<tr>
<th>Gifts</th>
<th>Sponsored Projects</th>
</tr>
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<tbody>
<tr>
<td>Funding does not originate from a governmental agency</td>
<td>Funding often originates from governmental agencies but also with non-governmental sponsors</td>
</tr>
<tr>
<td>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.</td>
<td>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</td>
</tr>
<tr>
<td>Few, if any, deliverables (other than reports as noted below, and use of funds as requested and awarded)</td>
<td>Deliverables defined by agreement, e.g., reports, research results, IP rights, equipment, etc., and funds may be withheld pending delivery</td>
</tr>
<tr>
<td>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 grant from…” language.</td>
<td>Agreement requires attribution to the sponsor and often may ask for or require minor publication delays</td>
</tr>
<tr>
<td>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.</td>
<td>Sponsor requires formal and detailed proposal and/or contractual agreement. Must be submitted through Research and Sponsored Programs or Division Offices as allowed.</td>
</tr>
<tr>
<td>Often require only general stewardship and communication as a courtesy to donor, e.g., progress reports, reports of expended funds and balance</td>
<td>May require detailed financial and other reports, e.g., scientific reports, invention reports, financial reports on sponsor-specified format, may include the right of sponsor to audit</td>
</tr>
<tr>
<td>No requirement for return of unexpended funds</td>
<td>Budgets and project period may lead to unexpended funds that must be returned if there is no approval to carry forward or extend project</td>
</tr>
<tr>
<td>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</td>
<td>Certain expenditures may require prior written approval by sponsor</td>
</tr>
<tr>
<td>Some gifts may be combined into one fund (if for the same purpose)</td>
<td>Must be separately budgeted and accounted for</td>
</tr>
<tr>
<td>Qualifies for tax treatment as charitable contribution by donor</td>
<td>May qualify for basic research tax credit for sponsor</td>
</tr>
<tr>
<td>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.</td>
<td>Donor expects access to data, primary records, or has ability to audit data collection</td>
</tr>
</tbody>
</table>
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.
Appendix D: Agreement to Employ Director of Development

This agreement is made by and between the University of Wisconsin Foundation ("Foundation") and the College ("College") at the University of Wisconsin-Madison. The Foundation and the College agree as follows:

1. The Foundation and the College will jointly participate in the recruitment and selection process for any new or vacant Director of Development ("DOD") position for the College. The final candidate selection will be mutually agreed upon by the Foundation and the College.

2. The DOD will be an employee of the Foundation and will be subject to the various terms and conditions of employment afforded to and required of other similarly positioned staff members. This position is a full-time appointment. The DOD’s primary assigned constituency will be the College.

3. The Foundation and the College will share the salary cost for the DOD consistent with Foundation funding policy (80% College, 20% Foundation). Compensation must be consistent with the range of similarly positioned and experienced staff members at the Foundation. The salary will be mutually agreed upon by the Foundation and the College. Any adjustments to compensation will be consistent with the Foundation performance appraisal process and compensation policies.

4. The Foundation will provide the DOD with benefits that are consistent with similarly positioned Foundation employees based on eligibility. 100% of fringe benefit expense will be paid by the Foundation.

5. The College is obligated to reimburse the Foundation for all travel and business expenses incurred by the DOD in the performance of his or her duties on behalf of the College. Normal employee expenses and travel expenses, including airline tickets, lodging, rental cars, meals, and similar items are to be approved by the Foundation as a normal part of their business operations and subject to the travel guidelines and rules in effect at the Foundation, as those guidelines and rules may exist or be changed from time to time. All extraordinary or one-of-a-kind expenses require prior approval of the College.

6. The DOD will be supervised and managed by a Managing Senior Director of Development at the Foundation. The College will work with the supervisor and the DOD to develop a work plan and goals for the DOD. The Managing Senior Director of Development will perform annual performance evaluations with input from the College.

7. Performance issues will be immediately addressed by the Foundation and the College. As a matter of policy, the Foundation will subject a newly hired DOD to an initial six-month orientation period. If at any point during this orientation period the Foundation and the College determine that the DOD is not performing effectively, the employment may be terminated. If at any point after successful completion of the orientation period
the Foundation and the College determine that the DOD is not performing effectively, the Foundation may institute a corrective probationary period for the DOD in which the DOD has a specified period of time to improve performance to a satisfactory level. If the Foundation and the College agree that the DOD has not improved performance sufficiently during that time period, employment may be terminated. The decision to terminate employment will be made only after a process in which the DOD will be provided reasonable opportunity to meet Foundation and College expectations.

8. The Foundation will cover appropriate costs related to administrative support, research, event planning, building overhead, training, professional development, computer equipment, mobile phone, and other office supplies and equipment provided to the DOD as a result of his or her employment by the Foundation. The College may provide an office location for the DOD and, if so, it will be the judgment of the employee, with consultation from the Foundation and the College, to determine the appropriate amount of time spent at each location.

9. Should the College discontinue the payment of its portion of the DOD’s salary for any reason, the Foundation will have the right to eliminate the position.

10. This agreement shall continue until terminated by any party or by mutual agreement of the parties. Notice of termination should be delivered to the addresses of record shown in this agreement.

11. This agreement can be renegotiated by the parties at any time and any changes shall be duly noted in writing either in an amendment to this Agreement to Employ or in a new Agreement to Employ that specifically supersedes this agreement.

This agreement shall have an effective date of: ____________________.

I agree to the terms of the agreement listed above:

University of Wisconsin Foundation

By: _______________________________ Date: _______________________________

College

By: _______________________________ Date: _______________________________
Appendix E: SAMPLE School/College Advancement Team Structure

Leadership Annual Gifts
Major Gifts
Planned Gifts
Corporate/Foundation Gifts

Cultivation & Relationship Building
Gift Recognition & Impact Reporting
Engagement Events & Activities
Appendix F: Major Gift and Annual Giving Cycles and Primary/Secondary Roles

Individual Major Gift Cycle

Figure 1: The Individual Major Gift Development Cycle is based on personal interaction. Depending on the type of solicitation the cycle may require more or less time in each defined stage.

Primary, Secondary and Shared Responsibility for Major Gift Development Cycles

<table>
<thead>
<tr>
<th></th>
<th>UW Foundation</th>
<th>UW School/College/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Qualification</td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Early Cultivation</td>
<td>Shared</td>
<td>Shared</td>
</tr>
<tr>
<td>Advanced Cultivation</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Solicitation</td>
<td>Shared</td>
<td>Shared</td>
</tr>
<tr>
<td>Closing (finalizing/documenting details)</td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Stewardship</td>
<td>Shared</td>
<td>Shared</td>
</tr>
</tbody>
</table>
Figure 2: The Annual Giving Cycle includes both one-to-one Leadership Annual Giving and broad one-to-many communications. Leadership Annual Giving efforts take place year-round and the University-wide Annual Campaign takes place in the fall of each year.

Primary, Secondary and Shared Responsibility for Annual Giving Development Cycles

<table>
<thead>
<tr>
<th></th>
<th>UW Foundation</th>
<th>UW School/College/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop &amp; communicate strong vision</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Establish connection</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Build support with insiders</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Leverage involvement of insiders</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Broad solicitation</td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Stewardship</td>
<td>Shared</td>
<td>Shared</td>
</tr>
<tr>
<td>Follow-up &amp; learning</td>
<td>Shared</td>
<td>Shared</td>
</tr>
</tbody>
</table>
Appendix G: SAMPLE Memorandum of Agreement

UNIVERSITY OF WISCONSIN FOUNDATION
MEMORANDUM OF AGREEMENT

Insert Fund Name
Insert College or Unit Name
Insert Department Name

THIS MEMORANDUM OF AGREEMENT is made by and between Insert Name of Donor, (“Donor”) the University of Wisconsin Foundation, a non-profit, non-stock Wisconsin Corporation with principal offices in Madison, Wisconsin (“Foundation”), and the other parties who are signatories to this agreement and whose signatures appear below. Where there is a School, College or other University of Wisconsin – Madison (“University”) division involved, it is referred to in this document as the “Unit.” If a Department within any Unit is involved as a signatory, it is referred to generically as the “Department.”

WHEREAS, the Donor wishes to institute a fund with the Foundation to be known as the Insert Fund Name; and

WHEREAS, the Donor intends to initiate the Fund with Choose Funding Option from This List but may choose to add to this Fund at a later time; and

WHEREAS, the Fund shall be invested and managed by the Foundation as a permanent endowment fund in accordance with the Foundation’s standard investment and distribution policies and procedures for such funds as those procedures may exist and be altered from time to time;

NOW THEREFORE, the parties to this Memorandum of Agreement agree that the Foundation shall receive, hold, invest, reinvest, administer, and distribute any and all monies received for the described Fund in accordance with the following terms and conditions:

1. **Statement of Donor intent.** This should be a general statement of the intent of the Donor, not the fund details (for example: “The donor wishes to assist undergraduate students who otherwise could not afford an education.”)

2. **Operational details of the Fund.** Insert Fund operational details here (This is where you put details such as how scholarship recipients are selected, is it renewable, criteria for the award, etc)

3. **Continuing recognition.** All monies distributed from the Fund shall be acknowledged by the Foundation, the University, the Unit and/or the Department in any publicity or announcements as having been made available by the generosity of Insert Donor’s Name and the Insert Fund Name.

4. **Additional contributions by the Donor or others.** Additional contributions to the Fund by the Donor, or others, whether made by a gift made during lifetime, through a gift from an estate or trust, or a gift made by other means may be accepted at any time with the approval of the Foundation.

5. **Commitment to Fund stewardship.** The Foundation and any University partners who are signatories of this agreement believe strongly in good stewardship of all funds and agree to supply information from time to time to the Donor, the Donor’s family, or other individuals or entities
identified by the Donor in paragraph six (6) about the operation and beneficial impact of this Fund. The Chair of the Department, the Dean or Director of the Unit, and/or other campus partners who are signatories of this agreement agree to cooperate with the Foundation in performing these stewardship functions on an ongoing basis and agree to provide such information and details as they are legally allowed to provide from time to time to the Foundation and/or the Donor, the Donor’s family, or other identified individuals in order to adequately inform these individuals of the activities and projects being supported by this Fund. The stewardship of this Fund shall also include financial information on the management and distributions made from this Fund to support Fund objectives.

6. **Stewardship Reports.** The Donor will automatically receive stewardship reports on this fund. Please list the names of any other individuals or entities who should receive periodic stewardship reports: List names of any individuals or entities that should receive stewardship reports now or in the future. Please include address or contact information as well.

7. **Notification of amounts available for distribution.** The Foundation shall, through electronic access or by other means, notify the campus partners identified in this agreement of the total amounts of support available for distribution in support of the Fund’s objectives.

8. **Management of the Fund as an endowment.** The Fund shall be managed by the Foundation as a permanent endowment fund. The Foundation, through its Board of Directors and various investment committees, manages the Foundation’s endowment. The Foundation makes changes to its endowment management, investment, and distribution policies from time to time as dictated by market conditions and other factors. A copy of the current endowment spending plan is included as part of Exhibit A attached to this agreement.

9. **No intention to create a trust.** No provision of this document is intended to create any form of trust, including but not limited to a perpetual charitable trust. It is the intention of the parties to create or modify an institutional fund for the purposes described in this document. The Fund is to be managed by the Foundation and would be subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (or its successor) in the State of Wisconsin.

10. **Foundation expense recapture for the management and operation of endowment funds.** The Foundation is not a division of the University and does not receive financial support from the University to cover its operational expenses and as such needs to fund itself and its operations. Part of the Foundation’s recapture of expenses comes from periodic charges against endowment accounts. A copy of the current funding formula related to endowment funds is attached to this agreement as part of Exhibit A. This formula may change from time to time. It is understood by all parties to this agreement that the Foundation is entitled to recapture its operational expenses under this formula or any future amended formula.

11. **Change or modification of Fund purpose.** During the lifetime of the Donor, the Donor, in consultation with the Foundation and the affected University entities, shall have the right to alter the purpose and terms of the Fund created by this agreement, so long as the change of purpose shall not violate any law or IRS regulation that would cause the gift to lose its deductibility for income tax purposes, and so long as such change or modification shall continue to benefit the University or any of its Colleges, Schools, Departments and Divisions.
12. **Foundation’s power to modify if consultation with the Donor and/or Donor’s family is impossible (cy pres power).** All parties to this agreement are in accord that the Fund needs to remain a viable source of support to carry out the intentions of the Donor as they are expressed in this document and any ancillary materials related to this Fund and to that end, it is understood and agreed that should the purpose for which the Fund is instituted become impossible to perform or impractical to the extent that the Foundation is unable to use the support generated by the Fund under the existing terms of the agreement for five (5) consecutive years, and if, at that time it is impossible or impractical to consult on a modification of the Fund terms with the Donor, the Donor’s surviving family members, and/or the individuals identified in paragraph six (6) of this document, the Foundation, through a resolution passed by its Board of Directors, may devote the Fund to other purposes as close to the Donor’s original intent as it can at that time devise.

This contractual agreement is entered into by the parties signing below in their various capacities. The effective date of this agreement shall be, unless otherwise specified in this agreement, the date upon which the first assets were received by the Foundation and placed into the described fund.

This agreement is executed in duplicate this ____ day of ________________, 20____.

APPROVED:

_________________________________________  Date: _________________

Name of Donor, Donor

University of Wisconsin Foundation

By: _______________________________  Date: _________________
Michael M. Knetter, President

University of Wisconsin – Madison
Insert name of school or college

By: _______________________________  Date: _________________
Insert name and title of individual

University of Wisconsin – Madison
Insert Name of Department (if using)

By: _______________________________  Date: _________________
Insert name and title of individual
Expense Recapture Formula for Funding Development Operations

The Foundation annually allocates a total of 1.0 percent of the Foundation's Endowment Pool market value, on a lagged basis, to the Foundation's General Fund to support the operations of the Foundation. This expense recapture is calculated and recaptured at a rate of 1/4 of 1 percent per quarter and is applied to the previous quarter’s unadjusted market value (before net additions/reductions to principal for the quarter).

Foundation Endowment

1. **Endowment Investment Expenses**: The Foundation charges back to the Endowment Pool all expenses related to the investment of assets in the Endowment. These charges include, but are not limited to; direct expenses paid to outside investment managers, advisors, agents, internal investment staff, and investment accounting costs, including software, technology infrastructure, and other costs related to the investment function.

2. **Endowment Fund Spending Plan Calculation Summary**: The Foundation allocates a fixed percentage of a market value average to the “income available to spend” portion of an Endowment fund. The Foundation formula allocates 1.125% on a quarterly basis (4.5% annually) to the average (most recent 16 quarters) adjusted market value of each respective fund, and applies the result as new “income available to spend.”

The Foundation always reserves the right to change the expense recapture formula and/or the spending plan formula from time to time at the discretion of the Foundation’s Board of Directors.