UNIVERSITY OF KENTUCKY ADVANCEMENT FEE

TRAINING MANUAL

TRAINING

University of Kentucky Philanthropy Endowment and GiftAccounting

Welcome to training for the advancement fee.

OBJECTIVE

- Overview
- Purpose
- Roles and Responsibilities
- Assessment
- Processing
  - General Ledger Accounts
  - Original Entry
  - Corrections

OVERVIEW

Effective: January 1,2019

Non-endowed gifts received by the university will be assessed a one-time five percent fee. Any gifts received, bequest expectancies signed, or pledges established prior to 1/1/19 will not be charged the fee.

The maximum fee will not exceed $250,000.

PURPOSE

KENTUCKY CAN. | THE 21ST CENTURY CAMPAIGN | UK

- To provide resources to successfully complete a $2.1 billion fundraising campaign. For more information about the campaign, go to the following site:

  https://www.kentuckycan.uky.edu

PURPOSE

- To position UK Philanthropy for success beyond this campaign.

- To restructure the university's philanthropy funding model to reflect best practices among institutions.

- To help sustain and promote progress in initiatives such as education, research, healthcare, agriculture, and creative and outreach programs.

PURPOSE

- To diversify funding sources in an effort to reduce the university's reliance on state funding.

    Before implementation of the new funding model for the Kentucky Can campaign, UK Philanthropy funding came from:

80.3%	General funds
14.7%	Endowment
3.7%	Annual Giving's work for the units
1.3%	Unrestricted gift revenue

PURPOSE

The advancement fee will support the university's advancement initiatives and those of the college(s) or program(s) to which the contribution was directed.

3%   Benefits central philanthropy endeavors including operations, gift processing, alumni engagement, marketing and public relations, and other advancement efforts.

2%   Goes to the college or unit the gift supports. The funds can be utilized to assist in advancement efforts, bolster the gift fund, or advance specific college or program goals, but in some way, must support philanthropy.

PURPOSE

NOTE: Because an annual management fee is collected on the current market value of eligible endowments, the advancement fee will not be assessed on endowment gifts. This management fee supports the administrative costs associated with carrying out the purpose of the endowments and provides funding for the university's comprehensive fundraising campaign.

ROLES AND RESPONSIBILITIES

UK Philanthropy

- Solicit gifts

- Coordinate gift agreements

- Maintain a record of all gifts to the university

- Acknowledge all gifts received at the university

- Process initial advancement fees on eligible gifts through a batch process from Millennium to SAP

- Reconcile the gifts and advancement fees to ensure assessments were accurate and timely

- Process corrections to gifts deposited by Gift Receiving

ROLES AND RESPONSIBILITIES

University Financial Services – Accounting and Financial Reporting Services

- Post corrections to gifts and advancement fees
- Provide financial reporting in accordance with university policies

Colleges/units/programs

- Deposit gifts received in campus area from donors
- Process corrections to gifts and advancement fees on gifts received in the campus area
- Promptly forward copies of all gift documentation (transmittals or JVs) to Gift Receiving

ASSESSMENT

All advancement fees will be assessed by Gift Receiving when the gift is originally received.

- For gifts received in UK Philanthropy, the fee will be assessed at the time the gift is processed.

- For gifts received by campus units, the fee will be assessed when the department forwards the gift documentation to Gift Receiving. To facilitate timely donor acknowledgment, gift reconciliation, as well as, advancement fee processing, it is critical that copies of the transmittals or JV documentation are forwarded in a timely manner to Gift Receiving when the gift is recorded in SAP.

ASSESSMENT

Through the analysis of gift reports and gift documentation from the campus unit, Gift Receiving will process the advancement fees that should be assessed on the eligible non-endowed gifts in a batch process from Millennium to SAP. These fees will be uploaded on a YJ document in the 6700xxxxxx document series such as the following:

```
Doc.Type : YJ ( Development interfac ) Normal document
Doc. Number      6700836901      Company Code    UK00       Fiscal Year      2019
Doc. Date        10/24/2018      Posting Date    11/21/2018 Period           05
Calculate Tax    [ ]
Ref.Doc.         GIFTS RECEIVING
Doc. Currency    USD
Doc. Hdr Text    Check
```

Itm	Account	Account short text	Amount	Cost Ctr	WBS elem.	Funds ctr	Fund				Text
2	750280	Tran Adv Fee to unit	30.00	1215327530		1215327530	0213275300	0000000000	0000071828	PG1101	2823774	MINUS
23	740280	Tran Adv Fee fr gift	30.00-	1215899010		1215899010	0218990100	0000000000	0000071828	PG1101	2823774	MINUS
44	750280	Tran Adv Fee to unit	20.00	1215327530		1215327530	0213275300	0000000000	0000071828	PG1101	2823774	MINUS
65	740280	Tran Adv Fee fr gift	20.00-	1215899120		1215899120	0218991200	0000000000	0000071828	PG1101	2823774	MINUS

ASSESSMENT

- The reconciliation of the gifts and advancement fees will be completed by Gift Receiving daily.

- NOTE: If the campus unit is notified that a cash receipt posted with a gift general ledger account (such as 420100 or 422103) is not a gift, the entry must be corrected immediately to ensure the advancement fee is not assessed and financial reporting is accurate.

PROCESSING – GENERAL LEDGER ACCTS

New general ledger accounts were created for the transfer of the advancement fee to the Philanthropy and campus area cost centers:

- 750280 Transfer Advancement Fee to Unit

- 750285 Transfer Separate Advancement Fee to Unit

- 740280 Transfer Advancement Fee from Gift

PROCESSING – GENERAL LEDGER ACCTS

- 750280 GL will be used when the advancement fee is calculated based on the total gift.
  - For example, a donation of $1,000 would result in $950 income and $50 total fees.
- 750285 GL is used when the donor gives a "separate" gift to cover the fee in addition to the intended gift.
  - In this case, a donation of $1,050 would result in $1,000 income and $50 total fees.
  - By contrast, if the fee had been calculated on the total gift of $1,050 as in the case of the 750280 GL above, the income would have been $997.50 and the fees would have been a total of $52.50.
  - For gifts deposited by campus, be sure to include documentation with the copy of the gift deposit sent to Gift Receiving so they are aware that the "separate" gift covers the fee.

PROCESSING – ORIGINAL ENTRY

Below is an example of the original posting entries:

- Deposit of the gift revenue in the cost center (SB – 12xxxxxxxx document)

GL	Cost Object	DR/CR	Amount	Description
1100*	0011*	DR	1,000	Cash
420100	1215*	CR	1,000	Gift cost center

- Assessment of the advancement fee (YJ – 67xxxxxxxx document)

GL	Cost Object	DR/CR	Amount	Description
750280	1215*	DR	30	Gift cost center
740280	1215*	CR	30	Philanthropy adv fee cost center
750280	1215*	DR	20	Gift cost center
740280	1215*	CR	20	Area adv fee cost center

PROCESSING

Information will be added by Gift Receiving to the Text Field of the YJ document that will assist users in matching the gifts to the advancement fees, reconciling cost centers, and making corrections. There will be five sections in the Text Field.

Text				
1200436243	0000104319	DB0196	2850170	MINUS
1200436249	0000117560	DB0196	2849026	MINUS

PROCESSING

Text				
1200436243	0000104319	DB0196	2850170	MINUS
1200436249	0000117560	DB0196	2849026	MINUS

1. 10 digit SAP document number from original transmittal processed by the campus unit. If Gift Receiving deposits the gift, the document number will appears as all zeros.
2. 10 digit Millennium ID
3. 6 digit solicitation code
4. 7 digit unique identifier used only by Gift Receiving/UK Philanthropy
5. Advancement fee status
   - X-PLG   Gift is a payment on pledge which is not fee eligible
   - X-FEE   Gift is for an endowment so there is no fee
   - MINUS   Gift is assessed the standard 5% fee
   - PLUS   Gift includes an additional gift from the donor for the 5% fee
   - X-EH   Gift for an endowment deposited into a gift holding cost center

PROCESSING – CORRECTIONS

- Corrections to the gift revenue and assessment fee will be processed by the area in which the gift was initially received.

    - UK Philanthropy will only correct deposits made by their office.

    - When campus makes corrections to their gift deposits on journal vouchers, any related assessment fees should be corrected on the JV as well.

PROCESSING – CORRECTIONS

For each JV:

- Provide a description of the reason for the JV including whether or not the original gift was subject to the advancement fee

- List each gift and related advancement fee separately on the JV even if multiple gifts credit the same cost center

- Include the Millennium ID for the gift in the text field

- Include documentation such as <u>Millennium reports</u>, correspondence, a copy of the original check transmittal, and/or any other backup supporting the correction

- Send a copy of the completed JV to Gift Receiving for their records

PROCESSING – CORRECTIONS

HOLDING ACCOUNT TO COST CENTER

Example for both current and prior years*:

GL	Cost Object	DR/CR	Amount	Description
420100	1215*	DR	1,000	Original holding account
420100	1215*	CR	1,000	Correct gift cost center
750280	1215*	CR	30	Original holding account
750280	1215*	DR	30	Correct gift cost center
750280	1215*	CR	20	Original holding account
750280	1215*	DR	20	Correct gift cost center

*Use the gift GL for both current and prior year transfers of gifts out of the holding account.

PROCESSING – CORRECTIONS

NEW GIFT COST CENTER IN SAME AREA

Current year correction example:

GL	Cost Object	DR/CR	Amount	Description
420100	1215*	DR	1,000	Original gift cost center
420100	1215*	CR	1,000	Correct gift cost center
750280	1215*	CR	30	Original gift cost center
750280	1215*	DR	30	Correct gift cost center
750280	1215*	CR	20	Original gift cost center
750280	1215*	DR	20	Correct gift cost center

PROCESSING – CORRECTIONS

NEW GIFT COST CENTER IN SAME AREA

Prior year correction example:

GL	Cost Object	DR/CR	Amount	Description
740100	1215*	DR	1,000	Original gift cost center
740100	1215*	CR	1,000	Correct gift cost center
750280	1215*	CR	30	Original gift cost center
750280	1215*	DR	30	Correct gift cost center
750280	1215*	CR	20	Original gift cost center
750280	1215*	DR	20	Correct gift cost center

PROCESSING – CORRECTIONS

NEW GIFT COST CENTER IN DIFFERENT AREA

Current year correction example:

GL	Cost Object	DR/CR	Amount	Description
422103*	1215*	DR	1,050	Original gift cost center
422103*	1215*	CR	1,050	Correct gift cost center
750285	1215*	CR	30	Original gift cost center
750285	1215*	DR	30	Correct gift cost center
750285	1215*	CR	20	Original gift cost center
750285	1215*	DR	20	Correct gift cost center
740280	1215*	DR	20	Original area adv fee cost center
740280	1215*	CR	20	Correct area adv fee cost center

*Use the GL appropriate for cost center.

PROCESSING – CORRECTIONS

NEW GIFT COST CENTER IN DIFFERENT AREA

Prior year correction example:

GL	Cost Object	DR/CR	Amount	Description
740100	1215*	DR	1,050	Original gift cost center
740100	1215*	CR	1,050	Correct gift cost center
750285	1215*	CR	30	Original gift cost center
750285	1215*	DR	30	Correct gift cost center
750285	1215*	CR	20	Original gift cost center
750285	1215*	DR	20	Correct gift cost center
740280	1215*	DR	20	Original area adv fee cost center
740280	1215*	CR	20	Correct area adv fee cost center

PROCESSING – CORRECTIONS

GIFT COST CENTER TO ENDOWMENT FUND*

Current year correction example:

GL	Cost Object	DR/CR	Amount	Description
420100	1215*	DR	1,000	Original gift cost center
425320	070*	CR	1,000	Correct true endowment fund
750280	1215*	CR	30	Reverse original gift cost center
740280	1215*	DR	30	Reverse Philanthropy adv fee cost ctr
750280	1215*	CR	20	Reverse original gift cost center
740280	1215*	DR	20	Reverse area adv fee cost center

*Note that no fee should be assessed if the gift is deposited to an endowment fund.

PROCESSING – CORRECTIONS

GIFT COST CENTER TO ENDOWMENT FUND*

Prior year correction example:

GL	Cost Object	DR/CR	Amount	Description
750220	1215*	DR	1,000	Original gift cost center
740301	070*	CR	1,000	Correct true endowment fund
750280	1215*	CR	30	Reverse original gift cost center
740280	1215*	DR	30	Reverse Philanthropy adv fee cost ctr
750280	1215*	CR	20	Reverse original gift cost center
740280	1215*	DR	20	Reverse area adv fee cost center

*Note that no fee should be assessed if the gift is deposited to an endowment fund.

PROCESSING – CORRECTIONS

ENDOWMENT FUNDTO GIFT COST CENTER*

Current year correction example:

GL	Cost Object	DR/CR	Amount	Description
420104	072*	DR	1,000	Original term endowment fund
420100	1215*	CR	1,000	Correct gift cost center

Prior year correction example:

GL	Cost Object	DR/CR	Amount	Description
750100	072*	DR	1,000	Original term endowment fund
740220	1215*	CR	1,000	Correct gift cost center

*The advancement fee will not be assessed until after the correction to the gift is made on the JV. Using the YJ document, Gift Receiving will assess the fee on eligible gifts after receiving a copy of the JV from the campus unit.

QUESTIONS

- For more information related to the advancement fee, go to the following site: https://www.kentuckycan.uky.edu/ways-to-give/advancement-fee

- Direct any questions concerning topics such as the assessment of the fee, gift deposits, whether a JV fee correction is necessary, and Millennium documentation to:

  > Nikki Russell, Director of Gift Receiving

  > nikki.russell@uky.edu

  > 859-257-3914

- Direct any questions related to the correction entries on the JV to:

  > Endowment and Gift Accounting

  > endowment@uky.edu