

**HUMBOLDT STATE UNIVERSITY**  
**Gift Processing Center**  
**Handbook**



**HUMBOLDT STATE UNIVERSITY**  
**Gift Processing Center**  
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**Forms**

- Donation Fundraising Activity Form (UA Form 1)
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HUMBOLDT STATE UNIVERSITY  
**GIFT PROCESSING CENTER (GPC)**  
SECTION I-OVERVIEW

## **I. GENERAL INFORMATION**

The Gift Processing Center (GPC) has been established to create a centralized location on campus to receive and record all donations to the University and its auxiliary organizations. The GPC will deposit and direct the donations in accordance with the donor's instructions. Information regarding the funds received will be forwarded to University Advancement. University Advancement will send an acknowledgement that also serves as a tax receipt to the donors thanking them for their generosity. The department may also wish to acknowledge the donor.

All gifts and donations received by departments, faculty and staff are required to be processed through the GPC. This guide was developed to facilitate the accurate and timely reporting of gifts and donations. This includes non-cash and in-kind gifts, as well as donation monies. Program revenue, and fundraising revenue are not to be processed through the GPC. Information to assist you in determining what qualifies as a donation vs. program revenue or fundraising revenue is presented below. If you have any questions on whether funds should be processed through the GPC, please feel free to call University Advancement at 707-826-5101.

## **II. LOCATION**

The GPC is located in the University Cashiers office on the 2<sup>nd</sup> floor of the Student and Business Services (SBS-285) Building.

Mailing Address:   GPC  
                          Cashiers Office - SBS 285  
                          Humboldt State University  
                          1 Harpst Street  
                          Arcata, CA 95521-8299

PLEASE NOTE: Solicitation letters and/or return cards must indicate that donations are to be mailed directly to the GPC at the address above. Please DO NOT have checks sent to your department or program.

## **III. HOURS AND CONTACT INFORMATION**

Hours:     9:00 a.m. – 4:00 p.m. (Monday-Friday)  
Phone:    707-826-5279 or 707-826-4943  
Contact:   Lee Ann Smith or Audrey Davis

#### IV. WHAT QUALIFIES AS A GIFT

Generally, donations are considered to be complete, voluntary and unconditional transfers of assets. The Council for Advancement and Support of Education (CASE) and the National Association of College and University Business Officers (NACUBO) has created definitions of what constitutes a gift or donation. That information is included in Section II.

Generally, donations and gifts to the University can be in the form of:

- Cash, checks and credit cards
- Non-cash/in-kind - items such as securities, real estate, rare books, art, vehicles, software licenses, equipment, etc.
- Token non-cash/in-kind - items of nominal value such as pizzas, soft drinks, ice cream, coffee mug, cap, etc.

Fundraising events: Monies received, or a portion thereof, from fundraising events may be considered donations to the university. There are strict IRS guidelines to follow in determining the amount of the donation.

Generally, if as a part of a fundraising event, a person pays in excess of what the goods or services are worth, then there is a donation component and this money should be processed through the GPC. For example:

A department holds a fundraising dinner and tickets to the event are sold for \$100. The department pays an outside catering company to furnish the dinner for \$25 per person. In this case, \$75 may be considered a donation. The department should process all revenues from this event through the GPC. University Advancement will need to know the details of the event in order to determine the amount considered to be a donation. ***The IRS has very strict guidelines requiring disclosures of the above information and imposes penalties of up to \$5,000 per fundraising event for non-compliance.***

#### V. WHAT SHOULD NOT BE SENT TO THE GPC

- Fees for programs and services\*
- Dues and memberships\*\*
- Funds for contracts and grants
- Funds for cooperative agreements
- Funds from Federal, state, local or foreign governmental entities
- Fundraising event revenue (unless the event collects excess revenue as described in Section IV.)

\* Goods and Services: Generally, monies received from the sale of goods and services are earned and not considered donation revenue.

\*\* Memberships are not processed through the GPC. However, memberships, or a portion thereof, may or may not be considered a donation depending on the circumstances. See Section IV, IRS Publication 1771. While membership funds are not required to be receipted in the GPC, the information must be reported to the GPC on a quarterly basis, using the Membership Reporting Form. Please contact University Advancement at 707-826-5101

## VI. PROCESS

- All checks for donations should be made payable to Humboldt State University. The memo section of the check should indicate the name of the program, department or event.

For example, if a donation is designated to the Fisheries Department Trust account held at the Humboldt State University Sponsored Programs Foundation (HSUSPF), the check should be made payable to Humboldt State University with Fisheries Department Trust in the memo line and addressed to the GPC. Funds will be receipted by the GPC and deposited into the Fisheries Department Trust account held in the HSUSPF.

- Campus departments, groups/associations, etc., can order/purchase preprinted envelopes from HSU Graphic Services when soliciting donation funds. These envelopes can be marked with the name of the fundraising campaign. The mailing address should be the GPC's address. Do not have checks sent to your department or offices.
- Contact the GPC if you need to process a donation using a donor's credit card at 826-4943.
- Inform University Advancement if you are scheduling a fundraising event or are soliciting donations by completing the Donation/Fundraising Activity Form. University Advancement is responsible for coordinating all fundraising events and donation campaigns. A master calendar of fundraising events/donation campaigns is distributed to departments by University Advancement quarterly and is also updated and posted quarterly on the HSU website under campus calendars.
- Complete an HSU Donation Deposit Form in the event that an individual or department receives a donation. The check or monies and the completed Donation Deposit Form should be brought directly to the GPC without delay. Checks/monies should never be held in the departments. Checks/monies should be hand delivered (do not use campus mail) to the GPC located in the Cashiers Office, SBS 285.
- All non-cash/In-kind gifts: A Gift Proposal Form must be completed and sent to the Office of University Advancement **before** any non-cash/in-kind gift is accepted. University Advancement will obtain the President's approval (if needed), notify you of authorization to accept the gift and provide a letter to the donor for tax purposes.

- The GPC will provide reports to University Advancement of all donations receipted. The reports will contain the donor's name, address, amount, etc. University Advancement will also inform departments/programs of donation revenue received on their behalf.
- University Advancement will send an acknowledgement for all donations received by the GPC. Departments, programs or event committees are encouraged to send additional thank you notes. If you have questions regarding this policy, please contact University Advancement at 707-826-5101.

## **VII. QUESTIONS**

Please contact the GPC at 707-826-4943 or University Advancement at 707-826-5101.

HUMBOLDT STATE UNIVERSITY  
**Gift Processing Center**  
SECTION II-REFERENCE INFORMATION

Policy for Classification of Gifts and Donations

**I. PURPOSE**

The purpose of this policy is to assist campus personnel with appropriate classification of the various forms of gifts and donations using standards and definitions that are consistent with those adopted by the Council for Advancement and Support of Education (CASE) and the National Association of College and University Business Officers (NACUBO).

Correct classification is important to assure the University's ability to comply with terms specified by the sponsor/donor and meet reporting requirements.

**II. SCOPE**

The policy addresses the classification of gifts, grants and contractual activities and areas of responsibility for the appropriate offices that are responsible for handling gifts and donations.

**III. DEFINITIONS**

In general, the following criteria identify a gift or donation:

- a) It is a voluntary and irrevocable transfer of money, property or other assets made by a donor without any expectation of or receipt of direct economic benefit or any other tangible compensation (i.e., goods and services) from the donee in return that is commensurate with the worth of the donation, except in the case of life income gift arrangements.
- b) Gifts/donations may be unrestricted or restricted; however, contractual requirements may not be imposed. Donors may state objectives or designate specific areas or other specific efforts they wish to support such as a professorship, scholarship or research in a defined area.
- c) Gift/donation is irrevocable.
- d) A period of performance is not specified.
- e) Formal financial accounting over a specific project period is not required and there is no requirement to return unexpended funds; however, a report to the donor on the use and/or impact of the gift may be requested, and this report may include expenditures and fund balances.

- f) Generally, funds received from individuals, closely held corporations (a corporation for which the stock ownership is not widely held, in which a small number of shareholders control the corporation and its policies), and private family foundations will be classified as gifts. Funds received from corporations, corporate foundations and major foundations may be classified as gifts, depending on the circumstances.
- g) Student Financial Aid: Outright gifts that the donor has restricted for financial aid to students are classified as charitable gifts, i.e. need-based and merit scholarships, graduate fellowships, athletic scholarships or athletic grants-in-aid, student awards and prizes, and gifts made in support of student work-study arrangements.

However, if an individual or organization channels funds through the institution to support a student specified by the individual or organization, these funds are not gifts to the institution, are considered fee payments, and should not be reported as gift income.

- h) Auctions and other special events: In keeping with IRS regulations for "quid pro quo contributions," only the excess over the quid pro quo may be classified as a gift from the donor attending the event, as well as net proceeds of such events.
- i) Charitable gifts include the following:
  - 1) Gifts and donations to the institution, both for current operations and capital purposes, regardless of form (cash, currency, personal checks, business checks, money orders, bank drafts, products, property, securities, life insurance contracts, etc.);
  - 2) Securities, real estate, equipment, property or other non-cash gifts, to be evaluated at the fair market value placed on them by an independent appraiser, not the cash income there from;
  - 3) Deferred gifts;
  - 4) Cash value of life insurance contracts;
  - 5) Cash payment returned as contributions from salaried staff;
  - 6) Insurance premiums paid by donors.

Not to be classified as gifts and donations are:

- a) Advertising revenue;
- b) Contract revenues, including sponsored research funds;
- c) Contributed services, unless cash payments are returned as contributions;

- d) Contributions from cities or regional governments, even though those entities may be incorporated;
- e) Discounts on purchases;
- f) Earned income, including transfer payments from medical or analogous practice plans; gifts from affiliated foundations and organizations to the institution (because they are counted as gifts when received by the foundation or organization, not when they are passed to the institution itself);
- g) Government funds, whether local, state (including state matching grants), federal or foreign;
- h) Revenue from special education programs;
- i) Student financial aid when the gift is in support of a specific student identified by name;
- j) Surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the IRS.

HUMBOLDT STATE UNIVERSITY  
**Gift Processing Center**  
SECTION III-IRS

**Publication 1771**  
**Internal Revenue Service**  
**Tax Exempt and Government Entities**  
**Exempt Organizations**

***Charitable Contributions-Substantiation and Disclosure Requirements***

Are you an organization that receives contributions of \$250 or more?

or

Are you an organization that provides goods or services to donors who make contributions of more than \$75?

or

Are you a donor who makes contributions of \$250 or more to a charity?

IRS Publication 1771, *Charitable Contributions -- Substantiation and Disclosure Requirements*, explains the federal tax law for organizations such as charities and churches that receive tax-deductible charitable contributions and for taxpayers who make contributions.

There are two general rules that organizations need to be aware of to meet substantiation and disclosure requirements for federal income tax return reporting purposes:

- a donor is responsible for obtaining a **written acknowledgment** from a charity for any single contribution of \$250 or more before the donor can claim a charitable contribution on his/her federal income tax return
- a charitable organization is required to provide a **written disclosure** to a donor who receives goods or services in exchange for a single payment in excess of \$75

More on written acknowledgments and written disclosures is addressed in this publication.

For information about organizations that are qualified to receive charitable contributions, see IRS Publication 526, *Charitable Contributions*. Publication 526 also describes contributions you can (and cannot) deduct, and it explains deduction limits. For assistance about valuing donated property, see IRS Publication 561, *Determining the Value of Donated Property*.

**Written Acknowledgment**

**Requirement** -- A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but without a written acknowledgment the donor cannot claim the tax deduction. Although it is a donor's responsibility to obtain a written

acknowledgment, an organization can assist a donor by providing a timely, written statement containing the following information:

1. Name of Organization
2. Amount of cash contribution
3. Description (but not the value) of non-cash contribution
4. Statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
6. Statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case it is not necessary to include either the donor's social security number or tax identification number on the acknowledgment.

A **separate acknowledgment** may be provided for **each single contribution of \$250 or more**, or one acknowledgment, such as an **annual summary**, may be used to substantiate **several single contributions of \$250 or more**. There are no IRS forms for the acknowledgment. Letters, postcards, or computer-generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an e-mail addressed to the donor. A donor should not attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than \$250 will not be aggregated. An example of this could be weekly offerings to a donor's church of less than \$250, even though the donor's annual total contributions are \$250 or more.

**Contemporaneous** -- Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of: the date on which the donor actually files his or her individual federal income tax return for the year of the contribution; **or** the due date (including extensions) of the return.

**Goods and Services** -- The acknowledgment must describe goods or services an organization provides in exchange for a contribution of \$250 or more. It must also provide a good faith estimate of the value of such goods or services because a donor must generally reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the organization. Goods or services include cash, property, services, benefits or privileges. However, there are important exceptions as described below:

**TOKEN EXCEPTION** -- Insubstantial goods or services a charitable organization provides in exchange for contributions do not have to be described in the acknowledgment. Goods and services are considered to be insubstantial if the payment occurs in the context of a fund-raising campaign, in which a charitable organization informs the donor of the amount of the contribution that is a deductible contribution, and:

1. the fair market value of the benefits received does not exceed the lesser of 2 percent of the payment or \$76, or
2. the payment is at least \$38, the only items provided bear the organization's name or logo (e.g., calendars, mugs, or posters), and the cost of these items is within the limits for "low-cost articles," which is \$7.60.

Free, unordered low-cost articles are also considered to be insubstantial. Example of a token exception: If a charitable organization gives a coffee mug bearing its logo and costing the organization \$7.60 or less to a donor who contributes \$38 or more, the organization may state that no goods or services were provided in return for the \$38 contribution. The \$38 is fully deductible.

The dollar amounts are for 2001. Guideline amounts are adjusted for inflation. Contact IRS Exempt Organizations Customer Account Services at (877) 829-5500 for annual inflation adjustment information.

**MEMBERSHIP BENEFITS EXCEPTION** -- An annual membership benefit is also considered to be insubstantial if it is provided in exchange for an annual payment of \$75 or less and consists of annual recurring rights or privileges, such as:

1. Free or discounted admissions to the charitable Organization's facilities or events
2. Discounts on purchases from the Organization's gift shop
3. Free or discounted parking
4. Free or discounted admission to member-only events sponsored by an organization, where a per-person cost (not including overhead) is within the "low-cost articles" limits

Example of a membership benefits exception: If a charitable organization offers a \$75 annual membership that allows free admission to all of its weekly events, plus a \$20 poster, a written acknowledgment need only mention the \$20 value of the poster, since the free admission would be considered to be insubstantial and, therefore, would be disregarded.

**INTANGIBLE RELIGIOUS BENEFITS EXCEPTION** -- If a religious organization provides only "intangible religious benefits" to a contributor, the acknowledgment does not need to describe or value those benefits. It can simply state that the organization provided intangible religious benefits to the contributor.

What are "intangible religious benefits?" Generally, they are benefits provided by a tax exempt organization operated exclusively for religious purposes, and are not usually sold in commercial transactions outside a donative (gift) context. Examples include admission to a religious ceremony and a de minimis tangible benefit, such as wine used in a religious ceremony. Benefits that are not intangible religious benefits include education leading to a recognized degree, travel services, and consumer goods.

**Payroll Deductions** -- When a donor makes a **single contribution of \$250 or more by payroll deduction**, the donor may use both of the following documents as the written acknowledgment obtained from the organization:

- a pay stub, Form W-2, *Wage and Tax Statement*, or other document furnished by the employer that sets forth the amount withheld by the employer and paid to a charitable organization, and
- a pledge card that includes a statement to the effect that the organization does not provide goods or services in consideration for contributions to the organization by payroll deduction.

Each payroll deduction amount of \$250 or more is treated as a separate contribution for purposes of the \$250 threshold requirement for written acknowledgments.

**Un-reimbursed Expenses** -- If a donor makes a single contribution of \$250 or more in the form of un-reimbursed expenses, e.g., out-of-pocket transportation expenses incurred in order to perform donated services for an organization, then the donor must obtain a written acknowledgment from the organization containing:

- a description of the services provided by the donor
- a statement of whether or not the organization provided goods or services in return for the contribution
- a description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
- a statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described earlier in this publication), if that was the case

In addition, a donor must maintain adequate records of the un-reimbursed expenses. See Publication 526, *Charitable Contributions*, for a description of records that will substantiate a donor's contribution deductions.

Example of an un-reimbursed expense: A chosen representative to an annual convention of a charitable organization purchases an airline ticket to travel to the convention. The organization does not reimburse the delegate for the \$500 ticket. The representative should keep a record of the expenditure, such as a copy of the ticket. The representative should obtain from the organization a description of the services that the representative provided and a statement that the representative received no goods or services from the organization.

### **Examples of Written Acknowledgments**

- "Thank you for your cash contribution of \$300 that (organization's name) received on December 12, 2001. No goods or services were provided in exchange for your contribution."

- "Thank you for your cash contribution of \$350 that (organization's name) received on May 6, 2001. In exchange for your contribution, we gave you a cookbook with an estimated fair market value of \$60."
- "Thank you for your contribution of a used oak baby crib and matching dresser that (organization's name) charity received on March 15, 2001. No goods or services were provided in exchange for your contribution." The following is an example of a written acknowledgment where a charity accepts contributions in the name of one of its activities.
- "Thank you for your contribution of \$450 to (organization's name) made in the name of its *Special Relief Fund* program. No goods or services were provided in exchange for your contribution."

### **Written Disclosure**

**Requirement** -- A donor may only take a contribution deduction to the extent that his/her contribution exceeds the fair market value of the goods or services the donor receives in return for the contribution; therefore, donors need to know the value of the goods or services. An organization must provide a written disclosure statement to a donor who makes a payment exceeding \$75 partly as a contribution and partly for goods and services provided by the organization. A contribution made by a donor in exchange for goods or services is known as a *quid pro quo* contribution.

Example of a *quid pro quo* contribution: A donor gives a charitable organization \$100 in exchange for a concert ticket with a fair market value of \$40. In this example, the donor's tax deduction may not exceed \$60. Because the donor's payment (*quid pro quo* contribution) exceeds \$75, the charitable organization must furnish a disclosure statement to the donor, even though the deductible amount does not exceed \$75.

A required written disclosure statement must:

- inform a donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided by the organization
- provide a donor with a good-faith estimate of the fair market value of the goods or services.

An organization **must** furnish a disclosure statement in connection with either the solicitation or the receipt of the *quid pro quo* contribution. The statement must be in writing and must be made in a manner that is likely to come to the attention of the donor. For example, a disclosure in small print within a larger document might not meet this requirement.

**Exception** -- A written disclosure statement is not required:

- where the goods or services given to a donor meet the "token exception," the "membership benefits exception," or the "intangible religious benefits exception" described earlier
- where there is no donative element involved in a particular transaction, such as in a typical museum gift shop sale

**Penalty** -- A penalty is imposed on charities that do not meet the written disclosure requirement. The penalty is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. An organization may avoid the penalty if it can show that failure to meet the requirements was due to reasonable cause.

### **Further Information**

**Written acknowledgment** -- Detailed rules for contemporaneous written acknowledgments are contained in Section 170(f)(8) of the Internal Revenue Code and Section 1.170A-13(f) of the Income Tax Regulations. The "low-cost article" rules are set forth in Section 513(h)(2) of the Code. This information can be found on the IRS Web site at [www.irs.gov](http://www.irs.gov).

**Written disclosure** -- Detailed rules for written disclosure statements are contained in Section 6115 of the Internal Revenue Code and Section 1.6115-1 of the Income Tax Regulations. The penalty rules are contained in Section 6714 of the Code. This information can be found on the IRS Web site at [www.irs.gov](http://www.irs.gov).

**IRS publications** -- Order publications by calling the IRS at (800) 829-3676. Download IRS publications at [www.irs.gov](http://www.irs.gov).

**IRS Customer Service** -- Telephone assistance for general tax information is available by calling IRS Customer Service toll-free at (800) 829-1040.

**EO Customer Service** -- Telephone assistance specific to exempt organizations is available by calling IRS Exempt Organizations Customer Account Services toll-free at (877) 829-5500.

**EO Web site** -- Visit Exempt Organizations Web site at [www.irs.gov/eo](http://www.irs.gov/eo).

*Working to put service first*

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