



UNIVERSITY OF
CAMBRIDGE

Finance Division

The Financial Procedures Manual

Chapter 14

Accounting for Donations & Grants

Also available on-line at:
<http://www.admin.cam.ac.uk/offices/finance/procedures>

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1. Introduction and the scope of donations

1.1 Purpose of this chapter

The principal purpose of this chapter of the Financial Procedures Manual is to set out and explain the procedures to be followed by staff in Departments in respect of income received by means of donation and expenditure against such funds.

In this context 'donation' also include grants received from both charitable trusts and from Government bodies. Research Grants are not covered here as they have their own chapter of the Financial Procedures Manual – Chapter 19.

1.2 Responsibility for donation policy

The Finance Division is responsible for the University's financial policies and accounting procedures: whereas, the Development and Alumni Relations(CUDAR) is responsible for the policy on the solicitation, acceptance and stewardship of philanthropic donations. It acts as both the specialist department of the University responsible for donations to the University, and as the operational arm of the Cambridge Foundation.

The Cambridge Foundation was established in 1989 as a separate charity to provide grants, loans and other assistance to the University with the object of promoting, assisting and furthering education, learning and research in the University. It is governed by trustees drawn from both the University and externally.

1.3 Structure of this chapter

The chapter explains in eight numbered sections:

Definitions and reference information	1. Introduction and the scope of donations.
	2. The principles and practices affecting the acceptance of donations.
	3. Gift Aid rules and procedures
	4. The different types of donation for accounting purposes.
Departmental procedures	5. The procedures to be followed in relation to receipts of donations which are routed through Development and Alumni Relations (CUDAR), as will generally be the case.
	6. The procedures to be followed in relation to receipt of donations that are not routed through CUDAR.
	7. Procedures relating to charging expenditure against departmental donation accounts.
	8. Ongoing departmental accounting procedures for donation accounts.

Departments should use this guidance in conjunction with the ‘**Procedures for Handling Donations**’ issued by the CUDAR . These procedures are for use by all those who are responsible for seeking philanthropic donations for the benefit of the University and ensuring that such gifts are then appropriately managed. It includes guidance on:

- Solicitation of donors
- Ethical guidelines
- Purpose of the gift
- Donation agreements
- Publicity and freedom of information
- Stewardship of donors



CUDAR’s’ Procedures for Handling Donations is available from the Finance Division’s website

http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/handling_donations.PDF

1.4 Definition – What is a donation?

To be classed as a donation or grant, a receipt of funds or assets must have been freely given, with no consequent obligation on the University to provide goods or services to the benefit of the donor.

Income is often described as a ‘donation’ when in reality, if you look a little deeper into where it has come from and why you may find that it is not. Therefore, in deciding whether income may be treated as donation income, Departments need:

- a) to identify whether the funded activity is research which needs to be processed through the Research Operations Office (ROO) and
- b) whether the funded activity creates a trading relationship with the funder.

1.4.1 What income should be processed through ROO?

It is not always easy to differentiate a donation from a research grant. As a general rule, a research grant will be for a specific piece of research activity *eg. to examine the relationship between shark migration and global warming*, whereas a donation will be much more general *eg. to fund the research and other activities of Professor Plum*.

Additionally a research grant:

- will typically have been subject to an application process or detailed proposal;
- may have been won competitively;
- is likely to have been subject to peer review or other vetting procedure to evaluate the research proposal;
- will have a specific definition of the research to be undertaken;
- is likely to specify rights and obligations in respect of intellectual property and publication;
- will normally require a report;
- is likely to have conditions specifying what kind of expenditure is allowed to be spent against the grant.

1.4.2 What makes income a trading activity?

Trading income is income earned by a department from either another university department or an external customer, for the provision of goods or services, or for the use of space or facilities. Therefore, for the income to be a donation it is important to ensure that a funder, or provider of a grant, receives nothing in return.

The provision of regular reports to the funder of how their donation is being invested/used does not in itself constitute a supply of services. Similarly, it is acceptable for the donor to be recognised for their gift eg. a small plaque mounted on a wall, or a building named after them. However, if the donor's logo is on constant display, or other benefits are received, then the income starts to move away from that of a donation and into the region of sponsorship/advertising.

1.5 Types of income treated as donations

1.5.1 Donation income

For the purposes of these procedures, "donation income" can include any of:

- gifts
- benefactions
- bequests
- legacies
- grants made by charitable trusts
- grants made by Government departments and agencies

This does **not include** HEFCE income or research grants. Care must be taken to ensure that the income is neither a research grant nor some form of consultancy. In either of these cases the income is part of a contractual relationship and needs to be dealt with accordingly. Research grants and contracts are dealt with through the ROO.

Donations may be in the form of:

- single items of cash, cheques or credit card payments;
- fee waivers;
- investments;
- regular receipts via payroll giving, bank standing order or otherwise;
- non-monetary assets.

1.5.2 Charitable trusts

Approximately 40% of the philanthropic donations received by the University are from charitable trusts. In practice many individuals or organisations that want to give to the University (or other charities) set up such a trust, often known as 'Foundations'.

It is not uncommon for the Trusts to actually sponsor research grants within the University. In these instances the funds should always be identified as such from a financial accounting perspective, be handled by ROO and allocate to the M source of funds.

However, there are occasions where although the nature of the funding was most clearly that of research due to the nature of the contract, the intention behind it was most certainly philanthropic. In these cases it is recorded in the University's financial

accounts as a research grant but also included with CUDAR's figures as a donation.

1.6 Income which is not a donation

1.6.1 Research grants

If an offer of support appears to fall between a research grant and donation, it is important to seek advice from Finance Division or ROO, because certain benefits to donors (use of logos, rights to attend seminars, access to academics) may trigger trading issues that need to be resolved.

Once income has been identified as being a research grant then no part of this can be treated as a donation. The money is either a donation or a research grant, not both.

This is supported by Financial Regulation 13.4:

'All research grant or contract income and expenditure, from whatever source of funds, must be notified to the Research Office and no part of this income may be transferred into donation accounts or other special funds, other than funding remaining unspent at the end of the research which the funder has agreed the Department may retain.'

Detailed guidance on the classification and management of Research Grants (M*** source of funds) is provided in Chapter 19 of the Financial Procedures Manual.

1.6.2 Excess research grant income

This is credited to source of funds EDBA and EDFF in departmental accounts and is **not a donation**. It is still part of the original transaction by the University to the sponsor of research.

Although potentially confusing, the last part of Regulation 13.4 is making provision for the scenario where we are required to return any unspent funding to the sponsor but, where the sponsor then specifically states that they wish to donate a corresponding amount back to the University. In practice the money may never leave the University however, it is technically two separate transactions. In these rare cases departments should liaise with both ROO and Central Finance as any monies would need to be transferred to either an H or E source of funds code.

1.6.3 Sponsorship

If the University receives sponsorship income it is obliged to acknowledge the involvement of the sponsor. To the extent that this returns a benefit to the sponsor the income is not a donation. For advice on the split between donations and sponsorship income (and related VAT status), refer to the Tax and Property team in the Finance Division.

1.6.4 HEFCE grants

Grants from the Higher Education Funding Council for England (HEFCE) and the Teacher Training Agency (TTA), whether tied to specific initiatives and with restrictions on expenditure, are not treated as donations. The J*** source of funds is

used to identify these monies received and the associated expenditure. More guidance is available in section 2 of the Chart of Accounts chapter of the Financial Procedures Manual.

1.6.5 Trading income

As stated earlier, trading income is income earned by a department from either another university department or an external customer, for the provision of goods or services, or for the use of space or facilities. The income is not to be treated as donation income.

However, where, an individual waives personal fees earned outside the University for consultancy, or external lecturing and instead a sum is passed to the department, this is classified as donation income.

Consultancy and trading contracts are dealt with either through subsidiary companies such as Cambridge Enterprise Limited established for this purpose or, if entered into by the University itself, using the trading accounts (GAAA sources of funds) for which see section 2 of the Chart of Accounts chapter of the Financial Procedures Manual. There are rules determining what trading activities charities are legally allowed to undertake: see section 25 of Financial Regulations.

1.6.6 Proceeds from the disposal of assets

Income received for the disposal of an item of equipment or another asset does not constitute a donation (unless it is the immediate disposal of a donated investment as envisaged in paragraph 2.5).

2. Principles and Practices on the Acceptance of Donations

2.1 Consultation with CUDAR re sof donors

CUDAR's '*Procedures for Handling Donations*' document explains the detailed university procedures for accepting donations. Departments should use these procedures before approaching any potential donors.

All members of the University involved in fundraising should consult CUDAR at an early stage in their discussions with a potential benefactor. An early consultation can:

- reduce the risk of uncoordinated approaches to a single potential donor;
 - spread familiarity with the process for accepting benefactions;
 - include advice on the application of the ethical guidelines and of the Proceeds of Crime Act;
 - ensure donations are only accepted from sources and for purposes, acceptable to the University;
 - allow an early warning to anyone unknowingly approaching a potential benefactor whose donation is not likely to be acceptable.
-

2.2 Authority to accept donations under £100,000

Donations are received and donation accounts are set up on the understanding that the monies are charitable funds which belong to the University, not to an individual¹. While the Head of Institution may place funds at the disposal of an individual, the funds remain the property of the University.

Heads of Institutions may accept single gifts of up to £100,000 under authority delegated by the Vice-Chancellor, unless they have a personal interest in the potential donation eg. it is to support their own post or research programmes. In these instances they must notify the Director of Development and Alumni of this potential conflict of interest at the earliest possible stage.

Heads of Institutions are therefore responsible for ensuring that all the procedures and ethical guidelines (as detailed in the *Procedures for Handling Donations*) are implemented. Where donations are accepted it is important that CUDAR be notified so that it can be recorded centrally so that donors aggregate is monitored and to ensure that donors receive the correct level of recognition for their support.

Gifts above £100,000 must be formally accepted by the Vice-Chancellor.

2.3 Decision to accept restricted donations

The University will seek to avoid the situation where it becomes committed to expenditure for which it has insufficient funds. Accordingly, the terms of any specific donations and endowments must be carefully considered before a gift is accepted.

¹ Regulation 14.1, Financial Regulations 2012

Until a full assessment is made, restricted donations should not be accepted (see section 4.3 for more guidance on what is a restricted donation).

CUDAR can advise on provisional figures required to endow various types of posts and studentships in perpetuity or for limited periods. Their advice should be sought before any costings are put to a potential donor.

The conditions in relation to specific endowments are summarised in Chapter 13, Financial Procedures Manual (Trust Funds); they should be referred to for guidance in respect of discussions with potential benefactors. It provides guidance on:

- ensuring a sufficient capital value for the intended purposes;
- allowing for related departmental and central costs;
- the terms of the gift and subsequent wording of regulations.

2.4 Receipt of donations

Where possible, donors should be encouraged to make their donation by way of a single lump-sum in GBP sterling.

2.4.1 Cash donations

Specialist advice should be sought from the University's Legal Services Office in respect of any offers of substantial donations in cash from parties based in countries associated with organised crime or terrorism or when, for any reason, there are any concerns in relation to the origin of the funds.

2.4.2 Foreign currency donations

Where a department is expecting a donation in a foreign currency CUDAR's Head of Finance must be consulted in advance to establish appropriate mechanisms for accepting the donation.

2.4.3 Non-monetary donations

It is the University's general practice to realise any non-monetary gifts (eg. stocks and shares or other specific financial instruments) and to use the proceeds to create a trust fund, a specific endowment or a general or specific donation as appropriate. Occasionally a donor's specific direction will be that the original asset be retained, in these cases CUDAR will consult with the central bodies for approval.

Proposed gifts of property or shares in private companies need to be carefully considered, because they may not be easily realisable. Again CUDAR should be informed if such a gift is contemplated and they will consult with the Director of Finance, Head of Institution/School and other relevant stakeholders as dictated by the gift.

Careful consideration should be given before accepting gifts of works of arts or books as there are often hidden costs to a department associated such as:

- fine art insurance;
- additional security;
- maintenance (correct temperature and humidity, lighting, protection from sunlight, moths etc).

Where they are accepted they are often retained by the University and added to its collections.

For more information on Fine Art Insurance please see section 9 of the Insurance chapter of the FPM or contact the Insurance Section.

2.4.4 Grants from charitable trusts

Grants from charitable trusts may be received directly by the institution or CUDAR. It is important that the responsibility and format for reporting to the Trust be set out and agreed at this point (see paragraph 8.5).

The procedures set out in sections 4 and 5 should be followed with the exception of any references to Gift Aid which is only applicable to UK individuals. It is important that CUDAR is notified of such grants because they need to ensure that the trusts receive the appropriate level of recognition for their support. It is common for the trusts to support numerous activities across the University and their total value should be aggregated.

Once credited to the appropriate cost centres these funds may be invested in accordance with the principles summarised in paragraph 8.2 below.

2.4.5 Grants from government departments and agencies

Grants from government bodies and agencies are normally received centrally by the Finance Division, who will credit the appropriate cost centre in the relevant institutions by means of journal. CUDAR does not get involved with any grants received from such bodies.

2.5 Availability of funds

Donations are not available for investment or spending until they have been received and credited to an income account in the relevant department. Heads of Department must ensure that donation accounts and trust funds are maintained in credit².

Departments are not entitled to commit expenditure based on a pledge of a gift to be received in the future. Although, the University does not account for pledges on UFS, CUDAR tracks pledges made in favour of the University and its departments.

2.6 Classification of donations

Our coding and classification of donations supports the proper management of the relevant funds in accordance with the donors' wishes. The University is also required to comply with applicable United Kingdom accounting standards and with the Statement of Recommended Practice Accounting for Further and Higher Education (the SORP).

In order to meet these requirements the accounting records must distinguish between distinct types of donation income:

- Specific endowments.
- General donations

² Regulation 14.2, Financial Regulations 2012

- Specific donations -for revenue purposes
-for capital purposes

Each of these is considered in more detail in section 4.

3. Gift Aid

Gift Aid is a procedure where the University can reclaim from HM Revenue & Customs (HMRC) the basic rate of income tax on a donation given to the University by a UK taxpaying individual. Currently the University is able to increase the value of the donation by 25%.



E.g.

A donation of £100 using Gift Aid in tax year 2013/14 is worth £125 to the University.

Gift Aid declarations, **which are effective even if completed retrospectively**, are available to download from the Finance Division's web page – see Appendix B. The Development and Alumni Relations office (CUDAR) deals with claims to HMRC in respect of the Gift Aid scheme.

3.1 Higher rate and additional rate taxpayers

If the donor is a higher rate or additional rate taxpayer, the donor is entitled to claim further tax relief on their donation on the difference between the higher/additional rate of tax (currently 40% and 45% respectively) and the basic rate in their Self-Assessment tax return. Currently this is 25p in every £1 for higher rate tax payers and 31p in every £1 for additional rate tax payers.

Example for a higher rate tax payer

A donor gives £100 in tax year 2013/14 (the gross value of the donation to the University is £125). The donor is able to reclaim higher rate relief of £25.00 (£125@20%).

A donation worth £125 to the University has only cost the donor £75.

Example for an additional rate tax payer

A donor gives £100 in tax year 2013/14 (the gross value of the donation to the University is £125). The donor is able to reclaim additional rate relief of £31.25 (£125@25%).

A donation worth £125 to the University has only cost the donor £68.75.

3.2 Overseas donors

Gifts from US Taxpayers must, in the first instance be given by the donor to CAM (Cambridge in America) who will then allocate them to the University in accordance with the donor's wishes. This enables the US donors to claim full tax benefits from the United States Inland Revenue Service. Consult the Development and Alumni Relations office for gifts from Canada, Hong Kong and European countries

3.3 How it works

For the gift to qualify for Gift Aid, the following conditions must be met.

- The donation must be a payment of a sum of money.
- The donor must pay an amount of income tax and/or capital gains tax at least equal to the tax the University will reclaim on the donation in the tax year that the gift is received.
- A declaration must be made by the donor stating that the gifts should be treated as Gift Aid donations.
- The donor must not receive excessive benefit in return for the donation.

Further information on donor benefit rules can be obtained from HM Revenue & Customs website.

3.4 Procedure for making a claim

For all donations received (for which departments would like to benefit from Gift Aid) the Development and Alumni Relations office (CUDAR), will process the tax reclaims on a monthly basis. The main reason for this is to create a single processing point for all gift aid claims. In order to claim gift aid on donations they must be processed by CUDAR.

Step 1: The donation

- .
- Donations can be made by cash, cheque, debit/credit card, standing order or bank transfer.
- CUDAR is able to process donations made payable to both the University of Cambridge and made payable to University departments.
- Ensure that the donor completes a Gift Aid declaration for the first gift they make under Gift Aid. That single declaration will cover all future donations, unless their circumstances change eg. a change of address.

Step 2: Departmental action

The department must forward the donation along with the completed Gift Aid Declaration (Appendix B) and a release form (Appendix E) to:

Development and Alumni Relations office
University of Cambridge
1 Quayside
Bridge Street
Cambridge, CB5 8AB

Step 3: CUDAR action

CUDAR returns tax claims once every month and will distribute the gross amount of the gift (through a journal transfer) after the tax reclaim has been recovered.

3.5 Further information



If you have any questions relating to Gift Aid please contact the Finance team at CUDAR (extension 60157 or 39971).

If your department is considering an appeal please contact CUDAR's Fundraising Project Manager (extension 33165).



Additional guidance on Gift Aid can be obtained from the HM Revenue & Customs website

<https://www.gov.uk/claim-gift-aid>

4. Types of donation for accounting purposes

4.1 Sources of funds for donations

Donations are credited to a source of funds code in the ranges indicated in the below table and with an appropriate transaction code beginning LF**. The decision tree at Appendix A should be referred to for further guidance. If in doubt, Departments should contact the GL codes helpdesk in the Finance Division: UFS_GL_CODES@admin.cam.ac.uk

Type of donation	Source of funds begins
General donation	EF to EX
Specific donation (other than building funds)	H
Trust Fund	K
Other specific endowment	I
Specific donation towards the construction of a building	P (Finance Division use only)

4.2 General donations – source of funds EF** to EX**

A general donation is one in respect of which the donor has either:

- not placed any restrictions; or
- has placed restrictions which are met by expenditure already committed or planned as part of the department's existing operations.

Note that it is the donor's instructions which determine the status, not the separate decision which might be made by a department as to how the donation will be used.

Examples of general donations

- A donation of £1,000 to a department in memory of a deceased student.
- A bequest of £200,000 to a department with no conditions or restrictions which the department has decided to use as a contribution towards the cost of a major laboratory

It is advisable for general donations to be posted to either one source of funds e.g. EFKM, or to a small number of sources of funds codes in the range. They can then be sub-divided using cost centres if required. Setting up a new source of funds for each general donation is unnecessary and should be discussed with your Finance Adviser.

4.3 Specific donations – source of funds H***

A specific donation is one in respect of which the donor has specified restrictions or conditions limiting the way in which the funds can be spent. For accounting purposes, however, donations are still not treated as specific, where the restrictions or conditions can be met by expenditure already committed or planned as part of the department's existing operations.

Note, again it is the donor's instructions which determine the status, not the separate decision which might be made by a department as to how the donation will be used.

Examples of specific donations

- A donation of £1,000 to a department for the planting of trees in memory of a deceased student.
- A donation of £20,000 to a department to be spent on books for the library, where the library's annual budget is around £2,000.
- A donation of £3m to be spent over 5 years on a specific initiative
- A donation of £200,000 towards an appeal for a major laboratory refurbishment.

Some specific donations will be used for capital expenditure on buildings or equipment. These will be treated as capital grants in the University's accounts, and any required accounting adjustments will be made by the Finance Division.

Note that the funds created by specific donations are dealt with in the University's financial statements under the heading of "endowments" in accordance with the requirements of the 2007 Statement of Recommended Practice (SORP). The distinction between these and the funds dealt with in the next paragraph remains important for internal purposes.

4.4 Specific Endowments

A specific endowment is a donation where the donor has specified that the funds are to be invested and the investment income is to be used for specific purposes, which may be as wide as a department or academic area. The funds may be required to be invested in perpetuity or for a finite period. Specific endowments are of two types:

Trust Funds

The University's practice is to establish Trust Funds in respect of most specific endowments. The relevant procedures are set out in FPM, Chapter 13 – Trust Funds.

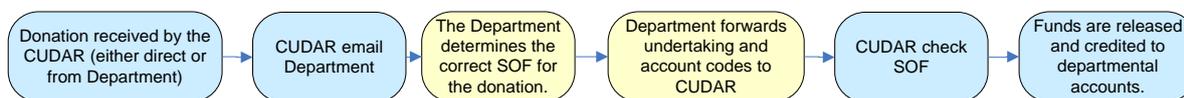
Source of funds K*****Other specific endowments**

Where departments are aware that they are in receipt of a specific endowment for which a Trust Fund is not being established, then they should contact the Finance Division for advice.

Source of funds I***

5. Procedures for receiving donations via the Development and Alumni Relations office (CUDAR)

Regardless of the method of donation the steps that the Department must follow are the same.



5.1 Donation receipt

The Development and Alumni Relations office (CUDAR) is the University's designated office equipped to deal with donations, including donations destined for individual departments. For this reason, donations should always wherever possible be directed to CUDAR. CUDAR is able to process donations made payable to:

- The University of Cambridge
- Individual University departments
- The Cambridge Foundation

5.1.1 One-off donations

Upon receipt of the donation CUDAR will invite UK donors to complete a Gift Aid declaration form if they have not already done so, and contact the department that the donor has specified is to be the recipient of their gift. Meanwhile the funds may be put on deposit.

5.1.2 On-line donations

Donors also have the facility to make donations on-line using either a debit or credit card and make these gifts tax efficient. Available from CUDAR's web site at <https://www.philanthropy.cam.ac.uk/give-to-cambridge>

At this point, unless otherwise specified, the donations are for unrestricted use within the department. The on-line giving facility has been designed to allow for the introduction of donations for specific purposes. Any department, faculty or institution wishing to use this facility for a specific purpose should contact CUDAR.

5.1.3 Donations as part of a specific appeal

CUDAR is able to produce customised combined donation/gift aid forms to departments who are running specific appeals. Departments can then either hand these forms out at fund raising events or include them on their website for download.

Please see Appendix C for an example and contact CUDAR's Operations Manager (extension 39272) for further information.

5.2 Notification to the department

CUDAR will notify the department for which the donation is intended (via email), passing on the following information:

- name of the donor
- amount of donation (including gift aid where appropriate)
- purpose of the donation.

CUDAR will ask the department to provide the account code to which the donation should be credited and a written undertaking that the “... *donation will be applied in accordance with the terms of the benefactions and that I will account to the donors as may be required*”;

A specimen of the standard email is included at Appendix D. The email will normally be addressed to the Head of Department or Departmental Administrator, unless a specific academic has been mentioned.

5.2.1 Donations that form part of an appeal

For donations that form part of an appeal, the department will only need to provide the account code and release undertaking for the first (first batch) of donations received for that appeal. All subsequent donations will be released to the same account code as per the first release, unless the institution requests a change of account code.

5.3 Departmental action

Departments should determine the appropriate source of funds code using the guidance in section 4, complete the undertaking and return to CUDAR..

5.4 CUDAR office action

Before releasing a donation, CUDAR will check that the source of funds code is appropriate given the nature of the donation. They will then instruct the Finance Division to transfer the funds.

5.5 Donation release

When funds are released they will be credited to the specified Department / Cost Centre / Source of Funds with a transaction code:

LFDO “Donations transferred from Development Office”

It will also include any interest that has been earned where the donation has been put on deposit in the interim. The institution will be copied into the email from Finance Division to CUDAR that confirms the transfer has been processed. Departments must not enter journals to move income from this code.

6. Procedures for receiving and processing donations in departments

6.1 Introduction

As indicated previously, donations should wherever possible be directed to the Development and Alumni Relations office (CUDAR). Whereas, from an accounting viewpoint it may initially seem simpler and quicker to receipt and bank the funds yourself, you must also consider:

- The significance of the gift from the donor's perspective. It is important that we ensure that they receive an appropriate level of recognition both now and in the future.
- The opportunity to maximise the donation through Gift Aid.

Please notify CUDAR and the Finance Division if any assets are received as donations.

6.2 Un-receipted cash and cheques

Where departments receive donations directly in the form of cash and/or cheque then these should be forwarded to CUDAR for processing. CUDAR will then take responsibility for the banking of monies and receipting on UFS. If appropriate they will approach the donor and reclaim Gift Aid. The standard procedures (outlined in section 5) are then followed.

6.3 Cash and cheques receipted by departments.

6.3.1 Anonymous and low value donations

Where donations of less than £50, or anonymous donations up to £100k (but see para 2.4.1), are received then it is acceptable for departments to process these themselves on UFS.

All non invoice-related receipts, including donations, are processed on UFS, via Accounts Receivable as Miscellaneous Receipts with a receipt type of "Misc". Departments should determine and code the receipt to:

- a) the correct departmental cost centre
- b) the appropriate source of funds for the donation using the guidance in section 4 i.e. EF** or H***
- c) a donation transaction code LF**

Example: General donation credited to U.JK.JKFI.EF**.LF**.0000

The VAT rate of 'Outside the Scope' should be attributed to the receipt. Any cash and cheques received should be banked promptly as per the procedures outlined in Cash and Banking Procedures, Chapter 7 of the Financial Procedures Manual.

6.3.2 Requests by the donor for an invoice

Occasionally, a donor may request an invoice in respect of their donation. In these instances an invoice can be raised on UFS by the department that will be receipting the 'donation'.

When raising the invoice ensure that the line description on the invoice clearly states that it relates to a donation and the VAT code of 'Outside the Scope' is used. Code the invoice to:

- a) the correct departmental cost centre
- b) the appropriate source of funds for the donation using the guidance in section 4 i.e. EF*** or H***
- c) a donation transaction code LF**

Example: General donation credited to U.JK.JKFI.EF**.LF**.0000

Then receipt the donation on UFS with a receipt type of 'Cash' and applied to the invoice.

6.3.3 Requests for a receipt

The UFS system is not capable of producing receipts. Therefore, if a donor requests a receipt, departments have two choices either:

- a) write a letter acknowledging and thanking the donor for their receipt on official departmental headed paper; or
- b) if an invoice has been raised, the donation receipted and applied to the invoice on UFS, to reprint the invoice. The invoice will now display a watermark entitled 'PAID'.

6.3.4 Subsequent gift aid requests

If a department which has already receipted a donation on CUFS then decides to try and maximise that gift via Gift Aid, they will first need to contact Central Accounting in the Finance Division to transfer the original donation to CUDAR. The latter will then follow the standard procedure as detailed in section 5 before the donation is released once more back to the department.

7. Spending against donation accounts

7.1 Specific endowments

The procedures for authorisation of Trust Funds and Special Funds expenditure involve explicit approval by a manager of the Fund and are set out in a separate chapter of the Financial Procedures Manual (Chapter 13 – Trust Funds).

Financial Regulation 14.3 stipulates that:

University trust funds are governed by regulations set out in Statutes and Ordinances. Trust fund managers shall ensure that funds are used for the proper purposes in accordance with the rules of the specific fund and the University's general charitable purposes.

7.2 Specific donations

Expenditure charged to a specific donation must meet the conditions specified by the donor. Responsibility for ensuring that the terms of specific donations are available for reference and are adhered to rests with the Head of Department.

7.3 Overheads charged to donation accounts

Since 1 August 2003, overheads, calculated as a percentage of salary costs, have been charged on donation accounts and special funds. The policy aims to ensure that a contribution is made towards the infrastructure costs of activities funded from donations and other accounts.

Overhead charges are calculated and processed on a monthly basis by the Finance Division. The charges are made on the account using transaction code EYZC in the appropriate cost centre and source of funds. The rate is 30% and is applied to the year-to-date total of pay costs (transaction codes beginning A to D).

Exceptions are assessed on a case-by-case basis. Where a department considers that a particular activity should constitute an exception to the policy, then the case should be submitted to their School Finance Manager, or in the case of the non-school institutions the Pro- VC.

7.4 Activities funded from more than one source

Often departmental activities will be funded from a variety of sources that may include one or more donations. Where these costs do not relate to either research grant or trading activity there may be some discretion as to where these are charged.

In order to make the best use of the various funds available, a Department should in general seek to charge expenditure against funds in the following order of priority, subject of course to eligibility and to the extent of available balances.

First call against	Restricted funds: <ul style="list-style-type: none"> • Trust funds • Appropriations in Aid • Specific endowments • Specific donations
Then	General donations
Finally against	Other balances available to the Department.

Responsibility for ensuring that departmental procedures achieve this order of priority rests with the Head of Department.

We have a duty to spend any restricted money first, and the key factors affecting the order of spend are likely to be a combination of:

- a) Order of receipt - we have a prior duty to spend earlier funds first (and this should affect our decision to accept subsequent restricted gifts);
- b) Relative restriction - if fund A's purposes are wider than fund B then it may make sense to spend fund B first in case its purposes "dry up" in the future.
- c) We have a moral and charitable obligation not to avoidably accumulate balances in trust funds.

Example of priority spending

A department wishing to purchase a new telescope at a cost of £1.8m and has set up a specific cost centre to collate all the expenditure.

It has received a £1m donation, specifically for the telescope purchase which is allocated to source of funds HYCA. The balance is to be funded by £755k from a general donation (SoF EFKM) and £45k from a surplus on a trading account (SoF GAAA).

The department should therefore:

- (a) initially charge all expenditure to HYCA until the £1m limit has been reached;
- (b) then charge all of the remaining £800k directly to EFKM;
- (c) once £755k worth of expenditure has been reached on EFKM then a monthly journal should be raised to transfer the additional expense to the trading account surplus using transfer codes.
(NB, never code directly to the trading account when spending a surplus – see section 3, Chapter 3, of the Financial Procedures Manual).

Telescope Cost Centre

HYCA	Specific Donation receipt		£1,000,000
EFKM	General Donation receipt		£ 755,000
HYCA	refurbishment expenditure	£ 1,000,000	
EFKM	refurbishment expenditure	£ 800,000	
EFKM	Transfer of expenditure to GAAA		£ 45,000
	Total	£ 1,800,000	£ 1,800,000

It may be tempting to code expenditure to just one source of funds with the intention to transfer elements as part of the year end process. Please **do not** as it could have serious implications for the University's Financial Statements and the information that is provided to Finance Committee.

8. Ongoing management of donation accounts

8.1 Balances to be maintained in credit

Financial Regulation 14.2 stipulates that:

Heads of Department must ensure that

- donation accounts and trust funds are maintained in credit;
- funds are applied for the public benefit for charitable, educational or research purposes only; and
- any Ordinances or regulations governing the receipt of donations and the conduct of individual accounts are followed.

The standard *Summary Report by Source of Funds* that is issued monthly by the Finance Division, will show whether the donation accounts are being maintained in credit. In addition to showing a summary of the income and expenditure year to date it also details the amounts invested on both the Deposit Account and within the CUEF for each source of funds.

Source of funds Code	Source of Funds Description	Annual Budget	Budget YTD (1)	Income YTD (2)	Expenditure YTD (3)	Deficit/Surplus (4)=(1)+(2)-(3)	Overdrawn/Cash in Hand (5)	Money on Deposit (6)	CUEF (7)	Other Investments
0000	Balance Sheet Default	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A4AA	Chest Non Payroll	24,938.00	24,938.00	0.00	33,501.18	(8,563.18)	(8,563.18)	0.00	0.00	0.00
ABAA	Chest Stipends	172,522.00	172,522.00	0.00	173,257.48	(735.48)	(735.48)	0.00	0.00	0.00
ACAA	Chest Wages	374,540.00	374,540.00	0.00	385,887.39	(11,347.39)	(11,347.39)	0.00	0.00	0.00
ADAA	Accumulated Balances	0.00	0.00	0.00	19,578.31	(19,578.31)	16,591.48	0.00	0.00	0.00
EFKM	Donations	0.00	0.00	8,136.29	7,845.45	290.84	7,570.83	6,265.00	0.00	0.00
GAAA	External Trading	0.00	0.00	271,610.05	273,178.82	(1,568.77)	88,808.76	0.00	0.00	0.00
GAAB	Internal Trading	0.00	0.00	966.02	1,780.97	(792.95)	1,620.08	0.00	0.00	0.00
HAKM	Donations	0.00	0.00	30,671.02	42,096.90	(11,425.88)	1,045.61	151,390.00	44,787.40	0.00
HAAD	Donations Departmental	0.00	0.00	1,729.08	0.00	1,729.08	27.69	7,830.00	15,766.59	0.00
KJAA	Endowment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KJAAQ	Departmental Endowment Fund	0.00	0.00	0.00	0.00	0.00	43.60	0.00	300,000.74	0.00
KJAR	Cyprus Maintenance Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LIAR	Appropriations In Aid - Cyprus Maintenance Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

In this period expenditure exceeded income by £11k

But they still have £1k in hand and £196k invested

The 'Source of Funds – Long Report' is another version of the same report. Both reports are available to departments from the Cognos reporting tool.. It shows the same information but further broken down by cost centres. This enables you to identify the performance of individual departmental accounts and identify specifically where any potential overspends may be.

Source of funds	Source of Funds Description	Cost Centre Code	Cost Centre Description	Annual Budget	Budget YTD (1)	Income YTD (2)	Expenditure YTD (3)	Deficit/Surplus (4)=(1)+(2)-(3)	Overdrawn/Cash in Hand (5)	Money on Deposit (6)	CUEF (7)	Other Investments (8)	Total (9)=(5)+(6)+(7)+(8)
HAKM	Donations	XXAA	Training: Administration	0.00	0.00	1,683.71	0.00	1,683.71	(145,486.29)	147,170.00	0.00	0.00	1,683.71
	Donations	XXBA	Training General	0.00	0.00	1,549.32	50.00	1,499.32	13,667.27	0.00	0.00	0.00	13,667.27
	Donations	XXBC	Prof Tolliday	0.00	0.00	1,423.68	236.23	1,187.45	3,694.51	0.00	0.00	0.00	3,694.51
	Donations	XXCA	Admission Fees	0.00	0.00	274.70	0.00	274.70	10,016.79	0.00	0.00	0.00	10,016.79
	Donations	XXHA	Widening participation	0.00	0.00	240.35	(48.10)	288.45	8,812.43	0.00	0.00	0.00	8,812.43
	Donations	XXNB	New Resource Centre	0.00	0.00	(19,521.03)	(11,127.66)	(8,393.37)	63,818.35	0.00	0.00	0.00	63,818.35
	Donations	XXVI	Learning Day	0.00	0.00	804.40	110.03	694.37	4,998.58	0.00	0.00	0.00	4,998.58
	Donations	XXZ	Elearning Project Default	0.00	0.00	908.34	0.00	908.34	20,054.19	0.00	0.00	0.00	20,054.19
	Donations	XXYD	Subscriptions - General	0.00	0.00	19,760.01	51,759.73	(31,999.72)	(1,392.71)	0.00	44,787.40	0.00	43,394.69
	Donations	XXYE	Donations	0.00	0.00	1,047.54	0.00	1,047.54	362.49	4,220.00	0.00	0.00	4,582.49
	Donations	XXYL	Non Lecture Event -	0.00	0.00	0.00	1,116.67	(1,116.67)	0.00	0.00	0.00	0.00	0.00
	Donations	XXZA	Training rooms	0.00	0.00	22,500.00	0.00	22,500.00	22,500.00	0.00	0.00	0.00	22,500.00
	HAKM Subtotal			0.00	0.00	30,671.02	42,096.90	(11,425.88)	1,045.61	151,390.00	44,787.40	0.00	197,223.01

Additionally, the Treasury & Investments Team within the Finance Division will issue regular Trust Fund Statements to help you with the management of your trust funds.

More information on how to run these reports is available from the UFS, Documentation and FAQ web page:
<http://ufs.admin.cam.ac.uk/r12reference/cognos.html>

Where potential overspends/deficits are identified departments should:

- a) Check that only appropriate expenditure has been allocated to the donation. Use the standard UFS reports: *Transaction Code Balances* and for specific information on individual transactions use the *Account Analysis 3* report.
- b) If the account has money on deposit and/or CUEF holdings consider whether the shortfall will be made up by the anticipated income from interest/ monthly distributions for the remainder of the financial year.
- c) If is still forecasted to be in deficit, consider taking money off deposit and potentially selling CUEF units.
- d) If this is not possible, transfer expenditure (using the transfer transaction code) to another departmental account which is in surplus.

Further details on how to use transfer codes are given in the Best Practice Guide No.3

8.2 Investing balances

All five sources of funds noted in section 4.1 are eligible for investment in the CUEF Fund and / or the Deposit Account, thus enabling unspent balances to earn investment income as expected.

A temporary benefaction, that is sums donated for expenditure in under 5 years, are usually placed in the University deposit account which pays a rate of interest but does not attract any capital appreciation.

Only funds being held for long term investment (e.g. at least five years) are suitable for investment in the CUEF because the capital value of this type of investment can go down as well as up, especially in the short term.

Type of Donation	Source of Funds begins	Eligible for		Deposit Account Interest Rate
		CUEF	Deposit Account	
General donation	EF to EX	✓	✓	lower
Specific donation	H	✓	✓	lower
Trust Fund	K	✓	✓	higher
Other specific endowment	I	✓	✓	lower
Building fund	P	✓	✓	lower

Procedures for investing balances are set out in a separate chapter of the Financial Procedures Manual (Chapter 12 - Investments).

8.3 Surpluses on specific donations/endowments

Occasionally a permanent unspent balance will arise on a specific donation/endowment account, where further spending in accordance with the donor's conditions is not possible. In these cases the University has a legal duty to contact the donor, or the donor's representative, to seek consent to vary the conditions or to refund the unspent balance. Departments should contact CUDAR for advice in discharging this obligation.

8.4 Year-end

At the year-end the Finance Division will ensure that unspent balances on specific endowments and specific donations will be rolled forward and will be available for spending in the following financial year.

8.5 Reporting to donors

At the outset arrangements must be established to enable reports to be provided to each donor in line with their requirements. CUDAR provides guidance and details of University procedures on reporting to donors within '*Procedures for Handling Donations*'.

Reporting will normally be based on transactions and balances recorded on UFS, and separate record-keeping will not normally be required. Standard reports are available on Trust Funds, details of which can be provided by Treasury and Investments in the Finance Division.

8.6 Transferring donations

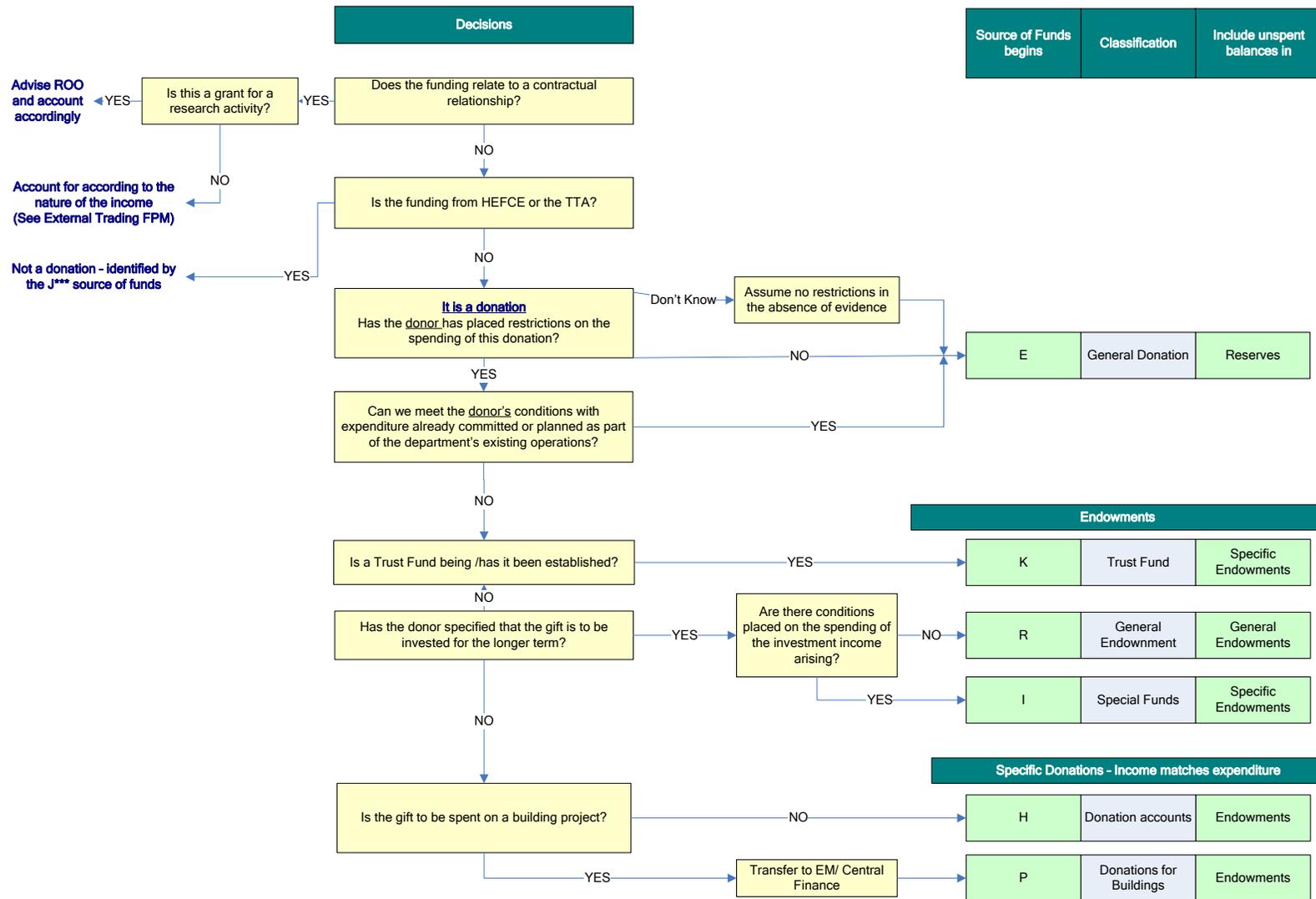
Transfers of donated funds to other institutions must always be approved by the Head of Department and be in accordance with the terms of the gift and the University's general charitable purposes. Transfers shall not be made until the receiving institution has confirmed in writing that the terms of the gift will be observed. Where the transfer relates to the Head of Department's research, the Director of Finance's prior written consent must be obtained.³

Donations can not be transferred to individuals, except where the individual is the donor and the University is unable to meet the terms of the original gift. In such cases the donation may be returned. However, no adjustment may be made for interest accrued or for any anticipated increase in the value of the donation unless the University accepted this condition when the donation was made.⁴

³ Regulation 14.4, Financial Regulations 2012

⁴ Regulation 14.5, Financial Regulations 2012

Appendix A: Decision Tree for Donation Classification



Appendix B: Gift Aid Declaration

<p>GIFT AID DECLARATION (HM Revenue and Customs No: X6296)</p>	 <p>UNIVERSITY OF CAMBRIDGE</p>
<p>FULL NAME</p>	
<p>ADDRESS</p> <p>.....</p> <p>.....</p> <p>.....</p>	
<p>POSTCODE</p>	
<p>I would like the University of Cambridge to treat as Gift Aid donations, this, all future and any previous donations applicable within HM Revenue and Customs time limits and regulations until I notify you otherwise.</p>	
<p>I can confirm I have paid or will pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April to 5 April) that is at least equal to the amount of tax that all the Charities and Community Amateur Sports Clubs (CASCs) that I donate to will reclaim on my gifts for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify.</p>	
<p>Signature Date/...../.....</p>	

1. Under the gift aid scheme, if an individual gives a donation, Charities and Community Amateur Sports Clubs are entitled to recover 28p of tax on every £1 that is given up to 5 April 2008 and 25p of tax on every £1 that is given on or after 6 April 2008.
2. You can cancel the declaration at any time by notifying the University of Cambridge at the address below.
3. If in the future your circumstances change and you no longer pay tax on your income and capital gains equal to the tax that Charities and Community Amateur Sports Clubs reclaims, you can cancel your declaration (see note 1).
4. If you pay tax at the higher rate (additional rate) you can claim further tax relief in your Self-Assessment tax return.
5. If you are unsure whether your donations qualify for Gift Aid tax relief, please contact the University of Cambridge, at the address below, or visit the HM Revenue & Customs website www.hmrc.gov.uk/charities-donors.
6. Please notify the University of Cambridge, at the address below, if you change your name or address while the declaration is still in force.

Appendix C: Sample of Appeal Gift Aid Form

 UNIVERSITY OF CAMBRIDGE

Title & name
 Home address
 County/State Post/Zip Code
 Country Email

Please return this completed form to the University of Cambridge, 1 Quayside, Bridge Street, Cambridge CB5 8AB
 Do not send this form to your bank, return it directly to the address above.

Single Donation

I wish to make a single donation of £ I enclose a cheque made payable to the University of Cambridge

Please debit my **Visa / MasterCard / Maestro / CAF card** (circle as appropriate)

Card number: Valid from date: / Expiry date: /

Security number: (either 3 or 4 digits) Maestro issue number:

Signed: Date:

Regular Donation

I would prefer to make a regular donation.

To: The Manager (full name and address of your bank – in block capitals please)

Postcode: Please pay from my Account Name:

Account Number: Sort code: £

monthly quarterly annually for a period of years (or during my lifetime, whichever period shall be shorter)

commencing on / / final payment: / / Barclays Bank plc, 9-11 St Andrews Street, Cambridge, CB2 3AA,
 sort code 20-17-19, for the credit of the University of Cambridge, Bank Account Number 70195561

Please quote ref. (Bank & office use only)

Signed: Date:

giftaid it

I would like the University of Cambridge to treat as Gift Aid donations, this, all future and any previous donations applicable within HM Revenue and Customs time limits and regulations until I notify you otherwise.

I can confirm I have paid or will pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April to 5 April) that is at least equal to the amount of tax that all the Charities and Community Amateur Sports Clubs (CASCs) that I donate to will reclaim on my gifts for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify.

Signed: Date:

Notes:

- Under the gift aid scheme, if an individual gives a donation, Charities and Community Amateur Sports Clubs are entitled to recover 28p of tax on every £1 that is given on or after 6 April 2008. You can cancel the declaration at any time by notifying the University of Cambridge.
- You can cancel the declaration at any time by notifying the University of Cambridge.
- If in the future your circumstances change and you no longer pay tax on your income and capital gains equal to the tax that Charities and Community Amateur Sports Clubs reclaim, you can cancel your declaration (see note 1).
- If you pay tax at the higher rate (additional rate) you can claim further tax relief in your Self-Assessment tax return.
- If you are unsure whether your donations qualify for Gift Aid tax relief, please contact the University of Cambridge or visit the HM Revenue & Customs website www.hmrc.gov.uk/charities-donors.
- Please notify the University of Cambridge if you change your name or address while the declaration is still in force.

Please send me details

On Request I do not wish my name to be published in University donor lists (anonymous) I do not pay UK income or capital gains tax

The University of Cambridge has charitable status.

For information on how we use your data and to select your preferences about marketing by electronic mail, please read our data protection values overleaf.

Please return the completed form to:
 University of Cambridge, 1 Quayside, Bridge Street, Cambridge, CB5 8AB

Appendix D: CUDAR notification of donation receipt

From: CUDAR Finance Team
Sent: Date
To: Head of Institution/Departmental Administrator
Subject: Release of Funds

Dear

I am pleased to inform you that University of Cambridge – Gift Registry has received donations as detailed below:

.....
.....
.....

Total funds now available £

In order to discharge the responsibility of Gift Registry, I should be grateful if you would reply to this message (email reply is sufficient)

1. Giving the following undertaking
"I undertake that these and any subsequent donations will be applied in accordance with the terms of the benefactions and that I will account to the donors as may be required.

Signed (for and on behalf of the Department)"
2. Stating the UFS Departmental Code, Cost Centre and Source of Funds to which the total sum should be transferred.

Also, please note the following requirements in order to comply with the Data Protection Act 1998:

- All information held within the University of Cambridge Development and Alumni Relations is strictly confidential and is to be used for the purposes of the University of Cambridge only.
- The need to keep all information provided by CUDAR secure and ensure that it is not copied, processed or disclosed to any other person or organisation without the express authority of the University.

On receipt of this information I will arrange for the funds to be transferred.

Yours sincerely

Appendix E: Release Form***University of Cambridge – Gift Registry
Release Form***

Please return this form along with the payment (if applicable) and Gift Aid Declaration to:

**Gifts Administration
University of Cambridge
1 Quayside, Bridge Street
Cambridge, CB5 8AB**

University Department: _____

Department Contact Name: _____ *Email:* _____

Donor's Name: _____

Address: _____

_____ *Postcode:* _____

Amount of donation

Method of payment

- | | | |
|---------------------|--------------------------|--|
| Cash | <input type="checkbox"/> | Cash is enclosed |
| Cheque | <input type="checkbox"/> | Cheque is enclosed |
| Bank Transfer | <input type="checkbox"/> | Please contact Gifts Admin team for bank details |
| Standing Order | <input type="checkbox"/> | Please contact Gifts Admin team to arrange |
| Debit / Credit Card | <input type="checkbox"/> | Debit / Credit card details are enclosed |

I undertake that these and any subsequent donations will be applied in accordance with the terms of the benefaction and that I will account to the donors as may be required.

Please arrange for the funds to be transferred to the following UFS account

Department	
Cost Centre	
Source of Funds	
Transaction code	LFDO

Signed: _____ Date: _____

If you have any queries please contact the Gifts Administration team (Anne Waldock ext60157 or Christine Baker ext66195).

Also, please note the following requirements in order to comply with the Data Protection Act 1998:

- All information held with the University Development and Alumni Relations Office is strictly confidential and is to be used for the purposes of the University of Cambridge only.
- The need to keep all information provided by CUDAR secure and ensure that it is not copied, processed or disclosed to any other person or organisation without the express authority of the University