



University of  
St Andrews

## Charitable donations

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Purpose	To provide guidance to University staff regarding the identification, classification and treatment of charitable donations in order to ensure that the University is compliant with current financial accounting regulations and UK tax legislation.

Version number	Purpose / changes	Document status	Author of changes, role and school / unit	Date
2.1	2019 Review carried out. Gift Acceptance Policy hyperlink updated	Approved	DDoF	28/06/19

## Contents

1. Introduction .....	4
2. What is charitable donations? .....	4
3. Documentation requirements .....	5
4. Capital donations .....	5
5. Endowments (Permanent & Expendable).....	6
6. Donations (Restricted & Unrestricted).....	6
7. Donations with performance conditions .....	7
8. Spending charitable funds.....	8

## 1. Introduction

- 1.1 The purpose of this Financial Operating Procedure (FOP) is to provide guidance to University staff regarding the identification, classification and treatment of charitable donations in order to ensure that the University is compliant with current financial accounting regulations and relevant UK tax legislation
- 1.2 The regulations for the accounting treatment of charitable donations have been updated following the publication of the new HE Statement of Recommended Practice (SORP) which reflects the changes to UK GAAP brought in by FRS102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland.
- 1.3 This FOP is mandatory for all staff and failure to comply with the procedures outlined in this document may result in disciplinary action. Charitable donations should be managed by the Development Office to document donor requirements and to ensure that all relevant tax claims are made.

## 2. What are charitable donations?

- 2.1 A charitable donation must be given with “philanthropic intent” – that is, with no significant benefit to the donor. A contractual relationship with the donor would not normally exist and the donation should not be contingent on the performance of a service (such as access to University equipment / attendance at a conference) or the supply of a significant deliverable (such as a technical or scientific report).
- 2.2 A donor can specify what a donation is to be used for. This purpose (or ‘restriction’) can include funding for buildings / land, staff appointments, equipment, scholarships, endowed lectures or other activities. Guidance relating to the treatment of restricted donations is at section 5 below.
- 2.3 Status reports or other reports detailing how the money was spent can be provided to the donor - these do not constitute significant deliverables.
- 2.4 The Development Office will be able to advise anyone who is unsure whether a source of income should be classed as a charitable donation. If in doubt - please contact Susan Donald on extension 1906 or email [sk27@st-andrews.ac.uk](mailto:sk27@st-andrews.ac.uk)

### 3. Documentation requirements

- 3.1 A Fund Pro-forma should be completed for EVERY charitable purpose in order to fully document the terms, conditions, designation, authorised signatory and accounting treatment for each project. These forms are prepared by the Development Office for all new projects and individual donations are assigned to a Fund depending on the donor's wishes. Spend terms & conditions as well as donor details are documented and held on the Development database together with gift paperwork and correspondence.
- 3.2 In line with the University's [gift acceptance policy](#) all gifts over £5,000 should be accompanied not only by gift paperwork outlining the donor's wishes but also by a gift agreement which provides more details and is signed by the donor and the University.
- 3.3 The Development Office has a well-established process for classifying donations and documenting donors' wishes. It is therefore highly recommended that all charitable donations and certainly those of £250 and above are routed through the Development Office to ensure that they are both documented and treated correctly and so that any gift-aid can be claimed.
- 3.4 Classification of charitable donations depends solely on the wishes of the donor. The University's wishes have no bearing on the classification of the donation. It is therefore essential that the donor's wishes be documented as soon as practically possible and this documentation forwarded to the Endowment Accountant in Finance using [accrec@st-andrews.ac.uk](mailto:accrec@st-andrews.ac.uk)

### 4. Capital donations

- 4.1 If a donor wishes to make a donation towards the cost of purchase or the construction of a tangible asset such as a building, a room in a building or a piece of equipment then the donation is called a 'capital donation'.
- 4.2 All capital donations should be processed through the Development Office to ensure that they are treated correctly.
- 4.3 All capital donations from charitable sources should be coded to 1-UNV0 -[analysis code]- 0592 where the analysis code relates to the project being funded.
- 4.4 Project analysis codes are controlled by Finance (Financial Accounts) in conjunction with Estates. Any queries regarding what analysis code to be used should be directed to [fincapital@st-andrews.ac.uk](mailto:fincapital@st-andrews.ac.uk) or the Capital Accountant on x 2650.

## 5. Endowments (Permanent & Expendable)

- 5.1 Where a donor indicates that the donation should be held in trust or invested for the benefit of the institution then this is called an endowment fund. A donation that is so restricted or large, such that it cannot be used within a reasonable period (say four years) then this should be treated as an endowment fund.
- 5.2 All endowment funds should be processed through the Development Office to ensure that they are treated correctly.
- 5.3 If the donor has indicated that the original donation should be held in perpetuity then this is designated a “Permanent Endowment”.
- 5.4 Permanent Endowments should be coded to 1-UNN\*-END\*\*\*-1064 on receipt. The relevant Cost Centre and Analysis Code should be agreed with Finance (Financial Accounts) by contacting the Endowment Accountant on x 2598.
- 5.5 If the original donation is to be invested, but the donor states that it can be utilised, then this is designated an “Expendable Endowment”.
- 5.6 Expendable Endowments should be coded to 1-UNN\*-END\*\*\*-1067. As above, the cost-centre and analysis code should be obtained from Finance.

## 6. Donations (Restricted & Unrestricted)

- 6.1 A donation which is neither for capital, nor classified as an endowment can be either “restricted” or “unrestricted”
- 6.2 All ‘other’ charitable donations must be allocated an analysis code. Analysis codes set up by the Development Office begin with “F” and codes requested by Schools should begin “FS” in order to be clearly identified as charitable income. All related spend must be coded to the same analysis code as the income. This is essential in order to be able to account for how donations have been used – something which donors normally require.
- 6.3 A “Restricted” donation is where the donor has specified what purpose the donation should be used for. These conditions must be sufficiently restrictive as to be out-with ‘normal’ activities and /or have a material impact on that School or Unit. Examples of a restricted donation would include:
  - A donation of £5,000 to be spent on books for a School where the ‘normal’ annual book spend is £500;
  - A donation of £1,000 to be spent on planting trees in memory of a student;
  - A £12,000 donation to fund a three-year scholarship for an undergraduate in a named School.

It should be noted that donations made without any specification of use, for 'general purposes' or for 'general teaching/research' within a specified School are not restricted – they must be designated 'unrestricted donations' and treated accordingly. The following are some examples of unrestricted donations:

- A donation of £5,000 to a School in memory of a student;
- A bequest of £100,000 to a School which the School then decides to use towards the refurbishment of a lab.
- A donation of £100 to the Library to purchase books.

6.4 If the donation is for a specific part of a School that has its own Cost Centre or Analysis code and the only restriction is that it should be used for that Research Centre (rather than for a specific purpose) then it should be treated as 'unrestricted' and coded to the relevant Cost Centre / Analysis Code.

6.5 Restricted donations processed by the Development office are coded to detail code 1058 (Gift income transferred)

6.6 All unrestricted donations should be coded to detail code 1059.

## 7. Donations with performance conditions

7.1 Occasionally (and rarely) a donor may specify that the donation is conditional on the University performing a "level of service". An example might be Doctoral Training Grants provided by Research Councils. These grants are paid specifically for the provision of postgraduate study and in these instances; the University is expected to provide this training to the students as part of the terms & conditions of the grant. Another example might be where a donor has specified that a donation has to be used to support one student over a four year period whilst they complete an undergraduate degree.

7.2 In these instances, the donation should be deemed a 'donation with performance conditions' and should be coded to detail code 1063.

## 8. Spending charitable funds

8.1 It is essential that a named individual or 'Spend Controller' is given the responsibility for ensuring that any restricted donations are spent in line with donor's wishes. The name of this individual or their position (such as 'Head of School') should be clearly documented in the papers supporting the donation referred to in section 2.5 above.

8.2 The University has a general obligation to spend non-permanent funds as soon as is practically possible.

- 8.3 Where donations have been routed through the Development Office, they will take responsibility for co-ordinating and carrying out the communication with donors, otherwise responsibility will lie with the School or Unit. It is therefore essential that sufficient records are kept for this purpose.
- 8.4 As a general rule, restricted donations available for a specific activity should be applied first, before any other sources of income such as fees charged, departmental funds or institutional funds.

Version number	Purpose / changes	Document status	Author of changes, role and school / unit	Date
2.1	2019 Review carried out. Gift Acceptance Policy hyperlink updated	Approved	DDoF	28/06/19
1.1	Updated approval date and review date	Approved	BT	29/01/18
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