

Advancement Foundation Contribution Administration Fee FAQ

The HSU Advancement Foundation has changed the way it charges fees for the administration of charitable contributions. The Contribution Administration Fee is a 5% charge on new charitable contributions, which is used to help to defray the costs to the University of accepting, processing, and stewarding these contributions. The new fee replaces the University Financial Services fee, which was a 4% charge on charitable funds when they were expended.

The Charitable Contribution Administration fee is designed to be more transparent to donors and campus departments alike. It also helps those responsible for managing charitable funds to know exactly how much money is available to support programs and projects.

The policy for the Contribution Administration Fee is and the revised Management of Non-endowment Accounts policy is

Why is this fee necessary?

The Advancement Foundation contracts with the University for accounting and administrative services. State law requires the University to charge the Foundation for these services. Over the years the University had been charging significantly less than full cost. In order to reimburse the University for the actual cost of services, the Foundation needs to charge some of these expenses back to the contributions that cause the need for these administrative services.

How much money is going to be collected with this fee?

The Foundation estimates that the fee will produce about \$160,000 per year.

Where does the money go?

All of the money is used to pay the administrative expenses involved in the acceptance and administration of charitable contributions of the Foundation.

Isn't this fee really just a way to increase the budget for University Advancement?

No. None of the money goes to University Advancement. The fee will not result in additional funds for University Advancement to use for staffing or programs.

My department has always done most of its own fundraising. Why should we pay a fundraising fee to the Advancement Foundation when we do all the work?

The Contribution Administration Fee covers the expenses involved in handling and administering charitable contributions *after* they are received. It is not a fee for fundraising.

Our department's funds weren't charged a fee before. Why are they being charged now?

Over the years a number of exceptions had been made to the University Financial Services fee which resulted in some charitable contributions effectively being subsidized by other funds. With the new Contribution Administration Fee, the campus is working to be more consistent. Because the Contribution Administration Fee is a fee related to the source of funds, it is deducted when those funds are received regardless of the eventual use of funds.

Will this new fee affect scholarships and awards funds?

Yes. While in the past scholarships and some awards funds were among the exceptions to the University Financial Services Fee, like all charitable contributions, there are costs associated with accepting charitable contributions for scholarships and awards. Indeed, scholarship and award funds tend to be among the most costly charitable contributions to administer. While there will be no contribution administration fee on distributions from endowments, including endowment distributions for scholarships and awards, new gifts into endowments, to create endowments, or to fund annual scholarships and awards will be subject to the Contribution Administration Fee.

What do I tell donors?

All charities have costs associated with the acceptance and administration of charitable contributions. The good news is that 95% of each charitable contribution to the Advancement Foundation will be available to support the intended philanthropic purpose, which is significantly more direct benefit than most charities can promise.

There are costs involved in administering charitable contributions and the Advancement Foundation is required to pay these expenses. The Contribution Administration Fee is a charge to cover some of these costs. If it were not for the Fee, the Foundation would need to use other donors' contributions to pay these expenses.

The Foundation policy specifically directs the University's Philanthropy staff to ensure that donors understand the amount and purpose of the Fee. You can refer donors to a member of the staff for questions or further information.

Should I ask donors to increase their contribution to cover the cost of the fee?

You are encouraged to work with the Philanthropy staff in developing the best strategies for working with donors who have diverse philanthropic intentions and perspectives. The goal is to ensure the best possible relationship with each donor. Many of our generous

donors have been willing to increase their contributions to accommodate the 4% University Financial Services fee in the past as well as the new 5% Contribution Administration Fee. For instance, a donor wishing to fund a \$2,000 scholarship could provide a contribution of \$2,106, which would fund the 5% fee and still allow for a full \$2,000 scholarship award. The Philanthropy staff can provide a chart showing what contribution amount would be needed to achieve a specific net amount (because the contribution administration fee is on the total contribution, there is a specific formula to calculate the correct gross contribution amount).

Will the Office of Philanthropy, the PhoneJacks Student Caller program, and similar broad-based fund-raising efforts be asking donors to contribute to cover the 5% fee?

No. Annual Fund donors and others giving at more modest levels will continue to be asked to give at the level most comfortable to them and the new fee, like the former fee, will be absorbed as part of the cost of donor engagement. We will assure that the Contribution Administration Fee is transparent, and this FAQ is part of that effort.

Is there someone from the Advancement Foundation or Philanthropy Office who can speak with our department about the new Contribution Administration Fee and our work with donors?

Yes. The Office of Philanthropy looks forward to working with colleges, departments, and programs across campus in building donor partnerships, answering questions, and offering support and guidance related to this new fee or any element of philanthropy. Call extension x5200 or email giving@humboldt.edu to schedule a meeting.

Is this the same as “Spend from the Source?”

No. Although both took effect at the beginning of this fiscal year, they are not the same. Spend from the source is a CSU requirement that funds be held and expended as close as possible to the auxiliary or account that received them, rather than being transferred in block grant style to other accounts for expenditure. Spend from the source is designed to provide greater accountability and transparency in the use of funds.