



## PRIVATE FINANCIAL SUPPORT

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### Background

Since its inception, the Smithsonian has relied on the generous financial support from the public and private sectors. The Smithsonian recognizes and values the indispensable role that Federal appropriations play in supporting the Institution's activities. At the same time, to successfully achieve its mission, the Smithsonian must also seek and rely on support from the private sector, including individuals, corporations, foundations, associations and others. The Smithsonian adheres to the highest principles and policies in seeking and accepting support from private sources.

**Background**  
(continued)

The Smithsonian is responsible for the proper management and stewardship of all funding it receives, and takes seriously its responsibility to treat its members, donors, and volunteers with the highest degree of sensitivity, respect, and appreciation. Further, the Institution recognizes that communications with its members, donors, and volunteers must at all times respect and safeguard their interests. At the same time, the Smithsonian acknowledges the interests of the American people in the "transparency" of its financial transactions.

The Office of External Affairs (OEA) oversees financial support to the Institution from non-governmental and non-appropriated governmental sources. The Office of Development (OD) and the Office of Sponsored Projects (OSP) report to the Director of External Affairs. Note that the Smithsonian Astrophysical Observatory (SAO) has been delegated authority for SAO grants and contracts.

These units abide by the policies of this directive, SD 318, *Externally Funded Grants and Sponsored Project Contracts*, and the *Policy for Naming Opportunities*. In addition, OD operates in accordance with the *Development Handbook*, and OSP operates in accordance with the *Principal Investigators Guide*.

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**Purpose**

This directive establishes policy to ensure the appropriate solicitation, handling, and acknowledgement of funds; to encourage funding opportunities that best fulfill the Institution's priorities within the framework of its mission, while assuring compliance with applicable private fundraising procedures; and to achieve the best possible donor relations.

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**Definitions**

The attached Appendix A provides definitions for terms used in this directive.

## Responsibilities

**The Board of Regents** is the governing body overseeing all activities of the Smithsonian, including consideration of and decisions on major gifts, naming opportunities, and corporate sponsorships. The Institution must bring before the Board of Regents for its approval the following offers of financial support:

- Gifts or sponsorships that are to be recognized by naming or re-naming of all or a portion of a facility, exhibition, program, endowment, position, or fellowship;
- Gifts or sponsorships that anticipate the creation of a new program that has not been previously identified in the Institutional strategic plan or which will create a close affiliation between the Smithsonian Institution and another entity, as symbolized by the entity's use of the Institution's logo or name;
- Gifts or sponsorships that require the Institution to create and administer a prize or award of any size or duration;
- Gifts or sponsorships in which the donor or sponsor requests or requires additional benefits beyond the general acknowledgment of their support in established publications, events or programs; or participation of the donor or sponsor in the implementation of the gift; or when the gift agreement deviates from or omits mandatory provisions;
- Corporate sponsorships of \$1 million or more.

For procedures for submitting gifts to the Smithsonian Board of Regents see *Smithsonian Fund Raising, Principles, Policies and Procedures*, and the *Development Handbook*.

**The Secretary** reviews, approves and signs gift or sponsorship agreements that carry a value of \$5 million or more.

**Responsibilities**  
(continued)

**The Deputy Secretary and Under Secretaries** review and approve fundraising proposals of \$1 million or more originating from units for which they are responsible and sign gift or corporate sponsorship agreements that carry this minimum value. Each also signs any gift or corporate sponsorship agreement which must have final approval by the Smithsonian Board of Regents.

**The CEO, Smithsonian Business Ventures (SBV)**, reviews and approves corporate sponsorship proposals originating within SBV, and signs these agreements. The CEO also reviews and approves proposals related to commercial media (i.e., television, radio, and the Internet), which originate from, or are intended for, any unit, as well as any elements that provide rights for advertising, promotion, or sale of products by a third party.

**The Director of External Affairs** is responsible for the overall management and strategic direction of the Institution's non-appropriated fundraising, which is undertaken by the Office of Development, and grant and contract activities which are the responsibility of the Office of Sponsored Projects. The Director has responsibility and authority for gifts, grants and sponsorships to the Smithsonian from its donors, sponsors and grantors, except for SAO's contract and grant programs. The Director sets policy in conjunction with Smithsonian unit directors and evaluates strategies and performance plans of development officers. The Director signs all gift and corporate sponsorship agreements. The Director approves and advises on the fundraising element of the performance plan of each unit development director.

**Office of Development (OD):**

- devises fundraising strategies and provides strategic development counsel to units in support of the Institution's strategic plan;
- identifies and evaluates potential non-governmental sources of support for unit development officers;

**Responsibilities**  
(continued)

- manages the assignment of prospects and develops and maintains a pool of qualified donors;
- manages Institution-wide development programs including Membership, Corporate Membership, Volunteer Leadership, and Planned Giving, and through these may present events, activities and awards;
- maintains and administers the information technology infrastructure necessary to accomplish the last three above items;
- prepares proposals, approaches potential donors, negotiates gifts;
- assists the units preparing proposals, approaching potential donors, negotiating gifts;
- publishes donor communications materials including the Smithsonian's annual report (in collaboration with the Smithsonian's Office of Public Affairs); maintains permanent recognition of donors in the Distinguished Benefactors Room; conducts other stewardship activities; and generates for the Secretary all acknowledgement correspondence for gifts of \$100,000 or more;
- maintains Institutional development policies and procedures, and provides ongoing training toward compliance and best practices;
- advances namings and certain other fundraising matters to the Board of Regents for final approval; and
- through centrally-raised unrestricted funds, supports unit operating budgets.

**Office of Sponsored Projects (OSP)** is the office designated to review and submit proposals to government and non-government sponsors. Refer to SD 318, *Externally Funded Grants and Sponsored*

**Responsibilities**  
(continued)

*Projects Contracts* and SD 304, *Guidelines for Administering Indirect Cost (Overhead) Rates and Charges*. The Director, OSP (or the Director's designee):

- reviews and approves the business plan of all proposals sent to government and non-government sponsors that will result in a grant or contract, cooperative agreement or interagency transfer (refer to SD 319, *Interagency Transfers*);
- negotiates with the sponsor the terms and conditions of the original award agreement, as well as changes or extensions to grant or contract awards, and accepts such changes on behalf of the Institution;
- responds to questions from sponsors concerning the administrative or business provisions of grant or contract proposals;
- signs, as Institutional Officer, all proposals seeking grants and contracts and all grant and contract awards (SAO negotiates, responds to questions, coordinates audits, maintains records, and signs for its proposals, awards and contracts under its purview);
- establishes a designated code and monitors grant/contract financial activity to ensure compliance with sponsor and Institutional policies;
- maintains the Institution's sponsored project policies and procedures and provides extensive Institution training;
- manages cash flow of grants and contracts;
- coordinates all internal and external audits of grant and contract funds;
- maintains the file of record for all government and non-government grant and contract awards;

**Responsibilities**  
(continued)

- prepares invoices and financial reports required by the sponsor and appropriately deposits funds received;
- completes Form 3011 for input of grant and contract information into DMIS; and
- prepares indirect cost proposals, negotiates the rates with the federal government, and applies negotiated indirect cost rate where applicable.

**Unit Directors** authorize strategic funding priorities, review fundraising and grant proposals to assure they conform to the unit's program objectives, assess any additional unit resources required, and evaluate performance. They are responsible for actively participating in fundraising activity.

**Unit Development Directors** are the chief professionals responsible for unit development/external affairs functions (in some units this position may be titled Director of External Affairs). The unit development director reports to the unit director and, in addition, to the Institution's Director of External Affairs as it relates to the fundraising element of the unit development director's performance plan.

Unit development directors are responsible for:

- formulating and achieving annual unit fundraising goals for unit priorities;
- representing the Smithsonian to prospective and current donors and sponsors;
- the conduct and performance of staffs in accordance with the Institution's, units' and OEA's directives and management goals;
- advising OEA of gifts and corporate sponsorships and OSP of non-government proposals and government grants or contracts awarded; and

**Responsibilities**  
(continued)

- timely and accurate input of data to the central database (DMIS).

**Unit Development Officers** are the official representatives of the Smithsonian responsible for its fundraising. Development officers are responsible for:

- managing a list of fundraising prospects;
- preparing fundraising proposals;
- soliciting funds on behalf of their units or programs;
- meeting annual fundraising goals;
- engaging in ongoing stewardship activities with their donors;
- negotiating and receiving gift agreements;
- preparing Form 3011;
- understanding Institution payment handling guidelines for cash, credit cards, checks, wire transfers, securities, grants, and gifts in-kind;
- ensuring that the Office of the Comptroller (OC) receives payments made in a timely manner (24 hours);
- depositing gift funds received according to OC guidelines, and grant funds received according to OSP guidelines;
- supplying full and accurate documentation to OC using Form 3011 so that each gift, sponsorship, or pledge is correctly accounted for;
- understanding and following OEA gift registration procedures;

**Responsibilities**  
(continued)

- supplying full and accurate documentation to the Gift Registrar so that each gift, pledge, or gift in-kind may be recorded in a timely manner;
- acknowledging gifts or assisting in drafting acknowledgement correspondence;
- submitting significant documents to the File of Record when a gift is secured;
- meeting annual performance goals;
- entering all transactions in DMIS as required; and
- performing their duties according to the highest standard of ethical conduct.

**The Development Officers Council (DOC)** consists of unit development directors and OEA management and staff. The Council meets on a regular basis to review policies and procedures, provide donor/sponsor status updates, conduct training, and maintain current information about procedures. DOC representatives are responsible for communicating DOC proceedings to all unit development staff.

**The Office of the Comptroller (OC)** establishes designated codes (account numbers) for gifts, and assists in deposit and accounting of gift and membership payments.

**The Office of General Counsel (OGC)** provides advice regarding restrictions and conditions proposed by donors; on tax-related matters; and other related topics. OGC also drafts and reviews agreements to protect the Smithsonian's interests.

**The Office of the Treasurer** accepts gifts of securities and establishes and monitors endowments.

**Database  
Management  
Coordination**

To ensure that funding solicitations to the private sector are coordinated Institution-wide, all SI staff (OD, OSP, SBV, and others) who engage with and solicit external revenue sources from individuals, corporations, foundations, associations, and others will use the centralized database management program (currently DMIS) to record specific interactions with donors and sponsors, and prospective donors and sponsors. Interactions to be recorded include cultivation visits and letters, event attendance, verbal or written solicitations, meetings, proposals sent, proposals accepted, and proposals declined. Details on database procedures are found in the *Development Handbook*.

OSP and the Smithsonian Astrophysical Observatory (SAO) use data management systems to provide data to OD on all government and non-government grant and contract awards, which are then entered into DMIS. Affiliated/wholly-subsidary organizations, such as Friends of the National Zoo (FONZ) and the Conservation and Research Center (CRC) Foundation, also comply with this coordination requirement. These collective data are used to produce reports for the Smithsonian's senior management on funds raised and awards received, as well as by development officers to manage their work and produce custom reports.

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**Prospect  
Identification**

New donor or sponsor prospects may be identified by the development officer, unit or program directors, volunteers, research staff, or through other means. Once identified, potential prospects are qualified by evaluating their interests and affinities and estimating their capacity for giving. This work may be undertaken by the development officer or by OD research staff. The OD research staff can provide print and online research tools to the development officer, or assist in performing prospect research. OSP can also provide online research tools to the development officer.

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**Prospect Manager  
Assignment**

The development officer consults DMIS to identify a prospect's institutional history and whether any other development officer is presently assigned responsibility

**Prospect Manager  
Assignment**  
(continued)

for the prospect as prospect manager. If a prospect is unassigned, the development officer requests from OD's Director of Prospect Management assignment as prospect manager for the prospect identified. If a prospect is already assigned, the development officer may request from the Director of Prospect Management a change in the assignment. Disputes or disagreements about an individual prospect will be arbitrated by the Director of Prospect Development; next by the Director of Advancement; and finally by the Director of External Affairs in consultation with the appropriate Under Secretary or the Secretary, as necessary.

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**Cultivation Plan**

The development officer develops a plan for approaching the prospect in consultation with the unit director, unit development director, and the Director of OEA. This includes a strategy, goals, and agreed-upon specific cultivation and communication steps, taking into consideration the prospect's background and interests.

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**Prospect Proposal**

The prospect frequently requests a written proposal during the cultivation process. The development officer may prepare the proposal or may seek advice or assistance from the OD communications staff. The proposal is subject to the following review requirements:

- Proposals for projects valued at less than \$1 million may be submitted by the development officer directly to non-government prospects;
- Proposals for projects valued at \$1 million or more must be reviewed and approved by the Director of OEA and the Deputy Secretary or respective Under Secretary;
- Proposals for projects of \$5 million or more must be reviewed and approved by the Secretary;
- Proposals for projects which will require final approval of the Smithsonian Board of Regents must be reviewed and approved by the Director of OEA, and the Deputy Secretary or respective

**Prospect Proposal**  
(continued)

Under Secretary. Such proposals must state that final approval by the Board of Regents will be required.

- Proposals that may result in a grant or contract award require OSP review and approval prior to submission, regardless of dollar amount.
- Proposals involving a media company or those including elements of commercial media (i.e., television, radio, or the Internet) will require the review and final approval of the CEO of SBV.
- Proposals involving any elements that provide rights for advertising, promotion, or sale of products by a third party will require the review and final approval of the CEO of SBV. This includes proposals to an existing SI operating partner.

The development officer follows up by discussing the proposal with the prospect. The proposal may be modified in the course of such discussions.

When the prospect agrees to the terms of the proposal, the development officer prepares a gift agreement. If the prospect declines the proposal, the development officer notes this action in DMIS. The development officer records these transactions in DMIS in a timely fashion.

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**Gift and Corporate Sponsorship Agreements**

A written agreement is required for all funding from corporations, trade associations and other entities and for all gifts from individuals of \$50,000 or more. The unit development officer employs a standard agreement template (Individual, Corporate/Foundation, or Endowment) to secure a gift, sponsorship, or endowment from a donor.

The development officer negotiates the terms of the gifts in good faith for the Institution. The development officer is responsible for representing the Smithsonian

**Gift and Corporate Sponsorship Agreements**  
(continued)

and its policies to the donor or corporate sponsor. If volunteers are involved, the volunteer will work with these same standards.

If a donor or sponsor wishes to negotiate terms that deviate from the standard Smithsonian gift agreement template, the development officer will advise the unit director. If the unit director approves, the gift agreement will be prepared in draft, incorporating the proposed deviations and sent to OD, then OGC, for review and approval as an exception to standard policy. Gift agreements are subject to the following review requirements:

- Agreements of less than \$1 million dollars are reviewed, approved, and signed by the donor or sponsor, unit director, and the Director of External Affairs;
- Agreements of \$1 million dollars or more are also reviewed, approved, and signed by the Deputy Secretary or the appropriate Under Secretary;
- Agreements of \$5 million dollars or more are also reviewed, approved, and signed by the Secretary
- The Board of Regents approves gifts that bestow a name, create a new program, create a prize or award, involve special benefits or donor participation, or which omit mandatory gift agreement provisions. The Board of Regents also approves corporate sponsorships valued at \$1 million or more or those of lesser value that the Secretary requests the Board of Regents to consider;
- Proposed gifts of real property should be discussed with the unit director, OEA, and the OGC as soon as possible, since the Smithsonian does not have established procedures for regularly accepting, holding, or disposing of real property; and

**Gift and Corporate Sponsorship Agreements**  
(continued)

- Gifts in-kind are credited at the cost for which the Smithsonian would otherwise purchase the donated goods or services. Gifts in-kind require full and precise description, which should be included in the gift agreement as an appendix. Refer to the *Development Handbook* for further detail.
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**Gift Deposits**

The development officer deposits gifts into a Smithsonian lockbox or account and supplies the Office of the Comptroller (OC) with timely and accurate information on how to account for these funds. Form 3011 is used for this purpose, with copies of all related documentation attached. The Smithsonian accepts gifts in the form of cash, check, credit card, wire transfer, or securities. The development officer also notifies OC of pledges to pay and gifts in-kind, using Form 3011, with copies of all related documentation attached. Refer to the *Development Handbook* for procedures on handling gifts and preparing Form 3011.

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**Recording of Gifts and Corporate Sponsorships**

The development officer conveys gift information to the OD Gift Registrar by means of Form 3011, with copies of all related documentation attached. The Gift Registrar makes a permanent record in DMIS of each gift, pledge, gift in-kind or membership made to the Smithsonian. The DMIS record is separate and independent from OC records.

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**Acknowledgement of Gifts and Corporate Sponsorships**

When financial support to the Smithsonian is secured from an external, private source, it will be acknowledged in writing. All acknowledgements will be sent within one week of receipt of a pledge, gift, or sponsorship. Units will have an acknowledgement protocol complementary to this one:

- The unit development director acknowledges gifts, sponsorships or awards up to \$25,000; and
- The unit director acknowledges support of \$25,000 or more; and

**Acknowledgement of Gifts and Corporate Sponsorships**  
(continued)

- The Secretary acknowledges support of \$100,000 or more;
- The Deputy Secretary or respective Under Secretary and the Director of External Affairs may choose to acknowledge any contribution as well;
- The Secretary, unit director, and unit development director may, at their discretion, choose to acknowledge gifts of lower value than noted above.

If the Smithsonian has not provided the donor with any goods or services in return for the donor's gift, the gift acknowledgement must state that. If goods and services were provided in return for the donor's gift (such as invitations to opening events or other benefits which must be valued), the gift acknowledgement must indicate the value of such benefits. If a donor of an in-kind gift valued at more than \$5,000 presents an IRS Form 8283 to the Smithsonian for signature as required to substantiate the donation, the appropriate Smithsonian official will execute this form. Special Note: The donor is not required to include the value of the donation on the IRS Form 8283 when it is presented to the Smithsonian for signature. However, if a value is included on the form at that time, signing the form is not acquiescence by the Smithsonian in the value stated.

See the *Development Handbook* for further details on acknowledging funds.

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**OEA File of Record**

OEA maintains a documentation file of record pertinent to each gift. The development officer forwards to OEA the Smithsonian's original, signed copy of a gift or sponsorship agreement and retains a copy for the unit. OEA places the original agreement on file in its permanent file of record.

See the *Development Handbook* for further details on the file of record.

**Other Stewardship**

Other forms of stewardship, such as personal visits, periodic reports made to the donor or sponsor, recognition in the Smithsonian annual report, and permanent recognition in the Distinguished Benefactors' Room, are described in the *Development Handbook*.

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**Grant and Contract Agreements**

Proposals to government sponsors must be submitted to OSP for approval of their business plans. OSP also must approve the business plan of proposals to non-government sponsors that may result in the award of a grant or a contract, except for grants and contracts for SAO. OSP records proposal activity in its Grants Management System and reports this activity to OD each month for inclusion in DMIS. Refer to *The Principal Investigator's Guide* and SD 304, *Guidelines for Administering Indirect Cost (Overhead) Rates and Charges*.

All government and non-government grant and contract award documents, except those for grants and contracts for SAO, must be reviewed, approved, and signed by the Director, OSP. This procedure is followed regardless of the amount. Any negotiations to the award agreement are conducted by OSP, in consultation with the principal investigator and unit development officer as needed. Treatment of grants and contracts for SAO is addressed in SD 318, *Externally Funded Grants and Sponsored Projects Contracts*.

OSP records government and non-government awards in GMS and sends this information to OEA for inclusion in the DMIS database. SAO also reports its grants and contracts to OEA for inclusion in the DMIS database.

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**Deposit of Grant and Contract Funds**

OSP collects revenues from government and non-government sponsors and deposits grants and contract payments in its own lockbox. Any checks received by an Institutional unit must be forwarded to OSP for deposit into the proper designated code account.

**Deposit of Grant and Contract Funds**  
(continued) Refer to the *Principal Investigator's Guide* for further details. SAO has been delegated authority to collect revenues from its grants and contracts and to deposit these in its own lockbox.

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**Acknowledgement of Grant and Contract Awards** An official acknowledgement request by the sponsor on a grant or contract award document must be signed by OSP.

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**OSP File of Record** OSP maintains the file of record for all Smithsonian grant and contract agreements (government and non-government), except for SAO grants and contracts which are maintained on file at SAO. All original grant and contract award documents must be provided to OSP or to SAO as appropriate.

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**CANCELLATION:** SD 809 dated September 12, 1986, and Amendment 1 dated August 14, 1989  
**INQUIRIES:** Office of External Affairs  
**RETENTION:** Indefinite. Subject to review for currency 24 months from date of issue