REPORTING AND COUNTING CHARITABLE GIFTS: NCPG TASK FORCE RECOMMENDATIONS

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Over the past fifteen years, NCPG has conducted some of the seminal research into the state of planned giving in the United States, research that has reformed many of the ways we market to our potential donors and ways planned giving professionals at charities and their counterparts in the for-profit world interact and collaborate. NCPG has been instrumental—and remains so—in influencing key legislation that affects the rules by which we all must operate. NCPG took the lead in formulating both educational guidelines and ethical standards of behavior for the profession and continues to take definitive stances on matters of professional principle. And NCPG has articulated a clear methodology by which charities can measure the true value of gifts to their own organizations.

Once again, NCPG has taken on one of the most fundamental issues that planned giving professional wrestle with. In November 2003, then president Chris Yates appointed a task force to develop guidelines for charities to use in reporting planned gift activity, guidelines that will complement the recently-issued Valuation Standards for Charitable Planned Gifts, which provides fundraisers and financial officers with a tool for estimating the purchasing power of planned gifts and analyzing costs and benefits of their own planned giving program. NCPG charged our group with developing a tool for tracking planned gift fundraising results and communicating those results to constituencies external to the organization, including donors, the media and other charitable organizations. Although originally envisioned as campaign counting guidelines, the resulting recommendations apply to annual reports of *all* fundraising activity as well. The Task Force was not charged with suggesting ways of crediting planned gifts, that being an institution-specific decision.

We have now completed our work and the NCPG Board has unanimously endorsed the recommendations. This article is one of the first of many opportunities to articulate these ideas to all of us in the field and to see how these recommendations translate into action.

KEY UNDERLYING PRINCIPLES

The Task Force began its deliberations by clearly identifying the principles underlying the discussion. Among the most important of these are that the guidelines should

- Be understandable by planned giving professionals, other development officers, and the wider audience of staff and volunteers.
- Provide a mechanism for comparison among charitable organizations based on criteria that can be applied comparatively across the broad charitable community.
- Take into account the considerations of the donor.
- Focus on counting and reporting, not accounting, valuation, or crediting.
- Recognize that the IRS charitable deduction calculations were not created for the purpose of counting planned gifts and, while valid for tax purposes, do not offer a way of counting planned gifts that recognizes the total resource development effort.
- Recognize that campaigns are usually finite, often annual, but sometimes operate within a multi-year timeframe.

KEY DEFINITIONS

We then set about clarifying the definitions of terms, for ourselves and for others. We needed to ensure that all of our readers understood what we meant. The most important of these definitions are as follows:

Counting and Reporting: Counting and reporting are arithmetic activities. Counting is the numeric summary of activity, results, and progress toward goals. Reporting is the process of conveying to a lay audience clearly and transparently what has happened during a specific timeframe.

Accounting: Accounting is a process of keeping financial books based on a set of generally accepted guidelines and principles, in order to present a fair, comparable, and understandable picture of an organization's financial state at any given time.

Valuation: Valuation is an assessment of the actual value of an item to the person or organization that possesses it. Value may be determined by any number of methods and may reflect net present value, the future purchasing value, or even a subjective value based on non-financial considerations, such as the impact on marketing or the ability of a specific gift to attract others in its wake. The Valuation Standards for Charitable Planned Gifts define valuation as *a reflection of the present value of the ultimate purchasing power of the gift.*

Crediting: Crediting is institution-specific and represents the way each organization grants recognition to its donors. It is up to each institution to set its own standards and requirements for documenting commitments.

Campaign: Our use of the term "campaign" simply recognizes that charitable organizations report results in definitive time segments. Most organizations report on an annual basis and, because all gifts that are committed that year are counted, those organizations may be said to be in an annual "campaign." Periodically, some organizations place a longer multi-year "campaign" umbrella over their fundraising activities and may report gifts committed during this longer period, as well as gifts that come in each year of the multi-year effort.

EVOLUTION OF CAMPAIGNS

As we thought about how to count gifts and what we might recommend that met the key principles we had outlined, we began to take a look at the historical evolution of campaigns and to see more clearly how campaigns have evolved over the last forty years. As we did so, we realized that our fundraising practices have undergone a fundamental paradigm shift while our measurement techniques have remained static.

Let's look at some of the major shifts in campaign structure over these past decades:

1. Campaigns used to be unusual events in the life of a charity, something that happened every once in a while to accomplish a special purpose, such as building an addition to the charity's structure. Now campaigns are ubiquitous. Almost all charities are always raising money, on at least an annual basis if not over several years. Campaigns are now a constant fact of life. There is no "down time" in which we stop raising money.

2. Campaigns used to be staffed by volunteers alone, in the sense that volunteers were mobilized to go out into the community or to the charity's prime constituents to ask for gifts. Now, while we certainly value and rely on volunteers to take a major role in our fundraising efforts, most of the work, including many of the solicitations and proposal presentations, are done by profession paid staff who spend every working day (and, often, many non-paid days as well) thinking about the campaign.

3. Campaigns used to be managed by outside fundraising counsel, who would come to town, spend a couple of months organizing and mobilizing a small army of volunteers, setting up a fundraising schedule and overseeing the progress toward the goal. Now, while outside counsel can and does provide valuable advice, assessment, and oversight, campaigns are managed internally and the role of counsel has been transformed into a very different one from what it had been.

4. Campaigns used to focus on a single issue and goal—building a building or buying a piece of vital equipment. Now campaigns are comprehensive. Charities are always raising money for operating revenue, for capital construction, renovation and maintenance, for endowment or building up of reserves, for the ever-hungry technology budget, and for new or existing program enhancement.

5. Campaigns used to be short in duration, a couple of months of flurried activity before things settled back into "normal" conditions. Now campaigns last a year at the minimum and sometimes take several or even many years to complete.

6. Campaigns used to look for cash only. Now charities have recognized that many assets other than cash that make wonderful (and sometimes very valuable) gifts and that transfer methods other than handing over a check allow donors to make far larger gifts than they might otherwise make. The whole range of gift vehicles so familiar to planned gift professionals is now a key component of campaigns.

While all these changes have transformed the way we do fundraising and the way we organize campaigns in practice, we have still tried to force all this diversity into a single numerical campaign goal. In other words, the way we have articulated our campaign results has not kept pace with our real structure. The result is an increasing disparity between what we do and how we report the results. No wonder people are confused and more and more donors, boards, and CFOs are raising their eyebrows and saying, "You said you raised all this money. Where is it?"

TASK FORCE RECOMMENDATIONS

Our analysis lead us to take a step back from our initial focus and suggest not only a new way of reporting gifts but also a new way of establishing the goals of our fundraising efforts in the first place. Rather than trying to force what essentially are different types of commitments into a single goal, we suggest that campaigns and other fundraising efforts would be better structured, clearer in their expectations, more transparent in their reporting, and more truly comparable among organizations if they begin with three complementary goals:

o **An outright goal** for gifts that are usable or will become usable for institutional purposes during the reporting period (whether one or more years).

o **Irrevocable deferred gift goals**, for gifts committed during the reporting period but usable by the organization at some point after the end of the period.

o **Revocable gift goals** for gifts solicited and committed during the reporting period but in which the donor retains the right to change the commitment and/or beneficiary.

Charities should report progress toward these goals using **face value data**. Charities should report the numbers as a record of activity. So long as charities associate the reported numbers with the comparable goal or category of activity, there should be no confusion about the meaning of the data.

By establishing three goals, , staff and volunteers alike will have a clearer sense of their focus, and reports will not attempt to mix gifts that are intrinsically difficult to combine into a single accurately reportable number. These guidelines specifically do not offer a methodology that purports to compare commitments from different categories that we would argue are inherently different in character.

We should also note that, while we recommend that charities report all commitments or changes in commitments that affect the financial state of the charity, charitable administrators may wish to "count" toward their stated goals in each of the three categories only new commitments made during that reporting period. We, therefore, suggest that the report itself provide a separate column for reporting commitments that have changed in character, such as trusts or annuities that have matured or revocable commitments that have become irrevocable.

PRACTICAL CONSIDERATIONS

We also believe these recommendations address a number of practical considerations:

These guidelines enable organizations to count and report *ALL* gifts and commitments.
These guidelines allow charitable organizations to recognize *all* the activity of staff, volunteers, and donors, not simply those measured by tax considerations. A complete fundraising operation focuses on revocable as well as irrevocable outright and deferred gifts. The only way to recognize and encourage such gifts is to set goals and report progress toward those goals.

These guidelines improve the ability to report clearly the results of fundraising activity.
By trying to force all development activity into a single number, fundraisers have faced a challenge of credibility by either oversimplifying their activities or creating layers of complexity that look to many like obfuscation. These guidelines will enable charities to articulate clearly what resources are available in what timeframes and thus eliminate the increasing confusion that clouds a uninumeric system of reporting.

These guidelines establish a method of comparability among nonprofits.
By setting a structure and multiple goals at the beginning of the process, everyone can understand how many annuities were written, at what face value this year, as opposed to last year or as opposed to other what other comparable charities have raised. These guidelines stress comparability of results, *not* comparability of value. In counting and reporting charitable gifts, there should be no confusion between gifts usable today, gifts guaranteed but postponed until a future date, and gifts that are of potentially great value down the road, but that require continued stewardship.

These guidelines acknowledge the perspective of the donor.
While donors are clearly interested in the IRS value for tax purposes, most donors focus more on the dollar value of their gift at the time they make it than on the ultimate net present value to the charity.

These guidelines aid charities in establishing public goals for fundraising and provide the maximum opportunity for charities to offer giving options to donors.
Many charities currently employ what has become known as the "triple ask" in their regular interaction with major donors. These guidelines offer a sound and recognized institutional foundation to present such a giving opportunity. Donors are less likely to feel harassed by multiple appeals and more likely to understand the ways in which these three methods of giving complement rather than compete with one another.

These guidelines reinforce the methodology that many charities already use to count gifts and keep records of their activities.
These guidelines build on the successful record of charities that already use these methods, although the application of these methods has generally been used only to articulate and measure personal or collective staff activity for internal evaluation purposes.

These guidelines will report a gift only once in a given category, but may reflect the same gift in different categories at different times.
We all recognize that gifts sometimes come to a charity through a series of steps: bequest intention to matured distribution or charitable trust to trust maturation, etc. The report of activity should reflect each gift only once in each reporting period, but that gift may have appeared in another category in an earlier report. In this way, a gift will never appear twice in the same category, but it will be apparent to the reader when the character of the gift changes. In this way, charities will convey all the information about the ways development activity affects the financial state (both present and future) of the institution without appearing to count the same gift twice.

These categories are designed to focus on the character of the commitment, *not* on the source of the commitment (individual, corporation, foundation, etc.) or on the purpose of the commitment (annual operating costs, endowment, buildings renovation, program support, etc.). We recognize that most charities will also want to track these characteristics of their gifts and commitments, as most do now

SPECIFICS AND NEXT STEPS

A PDF version of the full report of the Guidelines for Reporting and Counting Charitable Gifts, including the specific gift types that fall into each of the three categories, is on the NCPG website (www.ncpg.org) under the section on Ethics & Standards. These recommendations are designed to be dynamic, to provide a useful tool to charities as they record and report their activity, and to reflect real life responses. Accordingly, we not only welcome but encourage charities to try them out and to communicate the results. In the meantime, NCPG continues to converse with our sister membership organizations, as we all wrestle with this and other key issues of the profession. The process never ends!

Author Note: Dr. Bruce E. Bigelow chairs the NCPG Task Force on Counting and Reporting Gifts. He is also Founding Partner of Charitable Development Consulting, a firm that provides advice to a wide range of charities on how to improve their fundraising results and effectiveness.