COUNT IT NOW, COUNT IT LATER, OR COUNT IT AT ALL? THE CASE REPORTING STANDARDS AND MANAGEMENT GUIDELINES FOR FUNDRAISING

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Agenda

- Why we have standards and how they got here
- CASE "Gray Areas"
  - CASE suggestions – or not – on counting planned gifts
- Misunderstood Black & White Areas
- Fundraising Guidelines
  - Gifts, grants, & contracts
  - Specific gift types
  - Pledges
  - Counting versus crediting/recognition
  - Alumni Participation
- Campaign Guidelines
  - Key Focus Areas
  - What doesn't count and why

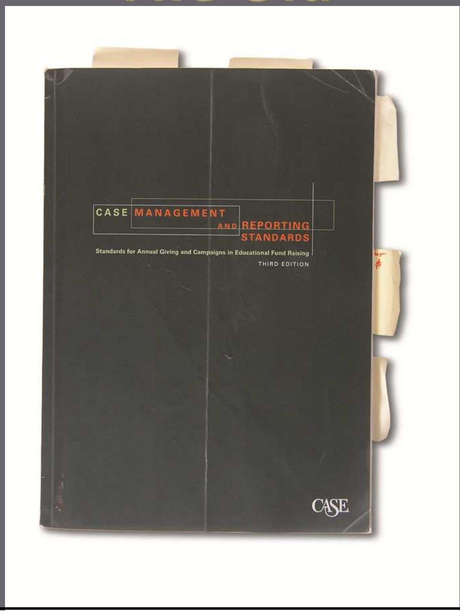
Why Any Guidelines?

- Objective means to measure fundraising performance
- Avoid inaccurate comparisons
- Strengthen philanthropy
- Protect nonprofit credibility
- Quite frankly, following guidelines is far better than having laws imposed on us!

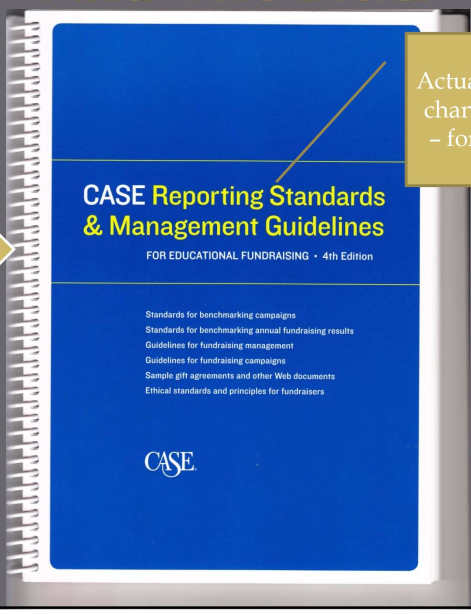
Need for Standardization Led to CASE's Guidelines Initiative

- Currently most widely-accepted standards – heck, they are the ONLY standards for national reporting on educational and nonprofit fundraising!
- Required for submission of the annual CAE/VSE Survey and the CASE Campaign Survey
- Must evolve to stay relevant

The Old



And The Blue!



Actually the 4th name change in 4 editions – for good reasons!

So → Totally → Cool!

Focus/Rationale for Latest Revision

- Changes affect multi-year campaigns starting after 2007. Annual, national (VSE), counting report is *unchanged* – those standards have been generally static for 30 years!
- Changes result in greater transparency
  - Call for breaking out several categories of gifts for separate reporting
  - Allow for the better tracking of trends in fundraising campaigns
  - Recognize and address the more common historical departures from the CASE Standards

Institutional Counting Guidelines

Should begin w/CASE as a foundation – but there are some gray areas within the Guidelines, as well as a few where several organizations depart:

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Gray Areas

- CASE Guidelines leave a number of decisions up to the institution. We will delve deeper in a minute. There are also some black & white areas you will want to emphasize we will look at 4 in particular. So even if honoring those Guidelines, your *own* Campaign Counting Policy will need to specifically address how the gray areas will be handled:

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Gray Areas

- Grandfather (Black & White for CASE – Gray for Many)
- Government Funds
- Campaign Length
- Pledge Length (Black & White for CASE – gray for Many)
- Bequest Expectancies
- Deferred Gifts
- Conditional Pledges
- Dues (Black & White for CASE – gray for Many)

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Grandfathering

- CASE does not permit
- **MUST** develop a policy – must have it vetted internally – must have it approved by the Board Development/Advancement Committee
- Must be in place BEFORE the first gift to be grandfathered comes in, and no less than 2 years before the silent phase. NC State opted for:
  - From source knowledgeable of the campaign
  - Transformational (7-8 figure) < 2years
  - Campaign specific major gifts < 1 year

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Counting Government Funds

- Actually, no change – you never count government funding from any government for any reason
- 4^{th} edition review committee did, however, take the issue up again
- Acknowledgement that government funds are helpful in achieving strategic goals, can be leveraged to secure private gifts, and recognize that some fundraising staff help secure
- However:

Counting Government Funds

- Counting emphasis has always been on raising charitable donations from the **private sector**
- Impossible to level the playing field when looking at large public research universities compared to small private colleges; not to mention that only half of the States offer a State matching program
- Thus, securing government funds does not qualify as a **private** philanthropic act, however we most certainly can and should recognize its value in achieving institutional goals

How Long is Your Campaign? 4th Edition Suggests 8 years, Max

- Of 43 $1B+ campaigns completed through 1/2009 (when work began on 4th edition), 17 took 8+ years (one was 12 – how "fair" is that?)
  - 7 was the most common (17), but that had been the CASE suggestion since 1994
- Recognition that shorter campaigns are common – especially for strategic/targeted initiatives
- 8 years, though, should be it in order to maximize commitment of volunteers, staff, and donors (avoid burn-out), and keep campaigns "honest" (aligned with original priorities)

Pledges

- Documentation in writing
  - From or *to* a donor
  - To count, must be legally enforceable
- Pledge Review
  - Annual fund pledges should be written off!
  - Non-annual fund pledges:
    - Partially paid
    - Never been paid

Pledge Length

- CASE Says 5 Years Max – Does that mean you say "No" if a donor requests longer?
- NO!!!!!!!!!!!!!!!!
- But establish a policy
- NC State Policy allowed for up to 10 years, but only for leadership pledges ($100,000+), and approved in writing by the Chancellor & Vice Chancellor
- And don't forget you can break longer pledges into 2 segments

Let's Pause for Some Q&A Before Going Into Planned Gifts

Now, You Too Can Count Bequest Expectancies

- Irrevocability no longer required – too difficult to manage (State laws varied), and donor-unfriendly to request
- Pledged/Executed (not *found*) during campaign
- Should consider age and variable valuation:
  - Under 50 - $0
  - 50-69 – Present value
  - 70+ - Face value
- Report separately from outright and irrevocable deferred gifts

Back to the Future for Irrevocable Deferred Gifts

- May once again count at face value (3rd edition went strictly present value)
- Separate goals should be created for these as well – You can bring in more! But more here does not mean less "there"
- The issue of transparency suggests that you still report the present value (IRS deduction) of these, too, but face value counts towards goal
  - Only the present value counts for VSE purposes
- Minimum ages should be considered

Conditional Pledges

- Reasonable expectation that the conditions will be met *during the campaign.* Examples include
  - Challenges – I'll give you mine if you raise the other
  - Capital Commitments – If you build it I will pay
- Appropriate documentation
- Recorded as, and with, revocable gifts/commitments and thus counted separately

Alumni Dues Issues

- Maybe a gift per the IRS!
- Historically *never* counted for CASE/CAE purposes

Final Answers

- Alumni dues, as such, should continue to be excluded from official fundraising totals. However, language added affirming that, if an amount was paid over and above the alumni dues amount in conjunction with that dues payment, and that additional amount went towards philanthropic endeavors, those additional funds can be counted.

Misunderstood Black & White Areas

- Services & Partial Interest
  - Clear from both a CASE and IRS perspective
  - Not so clear from a FASB perspective
  - There's always recognition credit
- October, 2011 CASE Clarification Addressed 3 Additional Misunderstood Gifts:
  - Intellectual Property & Patents: Book *only the revenue stream – not the donor's appraised value*
  - Conservation Easements: Do **not** count unless revenue is realize
  - Corporate Partnerships: Do **not** count any revenue or cost savings: Use of software, exclusive pouring rights, food service contracts, credit card rebates, etc.

What Is A Gift?

- Gifts & Grants are synonymous (for CASE and CAE reporting purposes)
- A gift is the irrevocable transfer of property or money to a qualified organization and has no donor-imposed restrictions, conditions, or control
  - **You cannot un-gift a gift!**

CASE Stance on Gifts, Grants, and Contracts

- The determination of whether to classify certain revenues as a gift, grant, or contract can vary according to each institution's general accounting policies
- CASE's goal is to ensure that institutions report only those transactions that involve true philanthropic intent
- For CASE reporting purposes, there is no need to distinguish between a gift and a grant
- In its continuing efforts to ensure that fundraising reports are as consistent as possible across institutions, CASE provides the following general definitions:

"Gift" Generally Defined

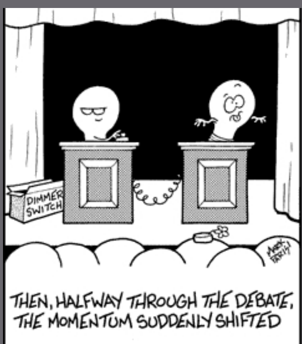
- A contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution for which it has made no commitment of resources or services other than, possibly, committing to use the gift as the donor specifies
- The contribution is a nonreciprocal transfer in that there is no implicit or explicit statement of exchange, purchase of services, or provision of exclusive information
- If the donor receives benefits in return for the contribution, the amount of the gift recorded and reported is reduced by the fair market value of all benefits given, according to U.S. Internal Revenue Service regulations
- The institution has no obligation to report to the donor how the gift is used or invested, but institutions are not prevented from providing such reports as part of donor stewardship

"Grant" Generally Defined

- A contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution that *typically* comes from a corporation, foundation, or other organization, not an individual. An institution may determine that what a donor calls a grant is, for internal record-keeping, a gift. Grants normally fall in 1 of 2 categories:

1. *Nonspecific grants*: grants received by the institution that did not result from a specific grant proposal. The institution does not commit specific resources or services, nor is it required to report to the donor on the use of the funds. It is this category of grant that many institutions may opt to regard as gifts for internal accounting purposes
2. *Specific grants*: grants received by the institution resulting from grant proposals submitted by the institution. The institution commits resources or services as a condition of the grant, and the grantor often requests an accounting of the use of funds and of results of the programs or projects undertaken. <u>Note: The grantor's requirement of regular status reports or other reports does not negate the philanthropic (and countable) nature of a specific grant</u>

The Great Sponsored Research Debate – Who Gets To Count Them?



"Contract" Generally Defined

- An agreement between the institution and another entity to provide an economic benefit for compensation
- The agreement is binding and creates a *quid pro quo* relationship between the institution and the entity
- Contracts should be excluded from an institution's fundraising totals
- This definition is not intended to address gift annuity contracts or similar charitable instruments

Handling Some Other Gift Types

- Credit Card – Emphasizing EOY Processing
- Closely Held Stock – Be Really Careful
- Life Insurance Policy Guidelines:
  - Minimum death-benefit
  - Paid within five years
  - Premiums paid to institution
- Matching Gifts
  - What does "unrestricted" mean?

Counting vs. Crediting

- **Counting** is standard reporting of gifts that allows comparisons across institutions
- **Counting** should be standardized
- **Counting** *typically* reflects the actual legal assets transferred
- Crediting is for recognition of donors
- Crediting does not need to mirror counting
- Crediting is an institutional decision
- Multiple people can get credit for the same gift

US News Alumni Participation

THE WALL STREET JOURNAL.
ONLINE

Free Dow Jones Sites As of Friday, March 2, 2007

MATH LESSONS

To Boost Donor Numbers, Colleges Adopt New Tricks

Sinking Alumni Stats, Zeal for Rankings Spur Rate Inflation

By DANIEL GOLDEN

March 2, 2007; Page A1

Wall Street Journal – 3/2/07

"The Issue: More colleges are manipulating their alumni-giving rates. The Background: High giving rates boost a school's status in U.S. News & World Report's annual college survey and with potential donors. What It Means: The statistic may not accurately reflect what it is intended to measure."

Wall Street Journal – 3/2/07

"Because CASE and U.S. News guidelines allow schools to exclude alumni for whom they lack valid contact information, one popular method for raising the alumni-giving rate is by not keeping track of graduates deemed unlikely to donate."

What Is All The Fuss?

retention rate			Average freshman retention rate	20%	20%
Financial resources	10%	10%		100%	100%
Alumni giving	5%	5%	Average alumni giving rate	100%	100%
Graduation rate performance	5%	0%	Graduation rate performance	100%	0%
Total	100%	100%	—	100%	100%

Weights for national universities and liberal arts colleges

This graph shows the relative weights assigned to each category of indicator for national universities and liberal arts colleges.

Weights for universities-master's and baccalaureate colleges

This chart shows the weights assigned to factors used to rank the universities-master's and baccalaureate colleges. Because graduation rate performance is not used to rank these groups, the graduation and retention rate variables receive a higher weight.

How Do You Calculate The Rate?

- You must differentiate between:
  - Undergraduate degree holders
  - Graduate degree holders
  - Non-degree "alumni"
- Rate is based on undergraduate degree holders only
  - No distinction between traditional and non-traditional undergraduate degree holders

How Do You Calculate The Rate?

- The denominator equals all undergraduate degree holders "of record"
  - "Of record" means you *believe* you have a way of contacting them: white-mail address; email address; phone number – basically anyone not dead or "lost"
- The numerator is any from the denominator who made a *legal* donation in that year

CASE Clarification After the WSJ Article

"Institutions may count a gift with one signature as coming from two alumni when there is clear evidence of marriage (or legal partner status) and both individuals attended the institution."

Any Questions at this Point?

THE WALL STREET JOURNAL. ONLINE

"I tell my board, 'If you want the participation rate to go up, there are a lot of quick ways to do it. You can ask alumni for a dollar. But that doesn't teach them to engage in a meaningful philanthropic relationship with the college. I'm not into quick fixes.'"

-- Kimberly Hokanson
Director of Alumni and Parent Programs
Bates College
Lewiston, Maine

Meet the New (ish) Management Guidelines

- Prior editions incorporated many of these. 4th edition strives to draw more distinction between reporting *standards* and management *guidelines*
- Two different sections:
  - Fundraising Management
  - Campaign Management
- Few real changes beyond what has already been discussed, but worthy of mentioning
- Key fundraising management guidelines:

Key Focus Areas

- Align campaign with needs, and interests/capacity of constituencies
- Must include review of strength of Advancement program, including plans to invest in that program
- Size does not trump. What you should and realistically do, does
- Campaigns are planned, not dictated, and must be written including reporting policies
- Focus on institutional priorities, and remember this will not be your last campaign

Key Focus Areas

- All contributors should be recognized – even those where gifts didn't "count"
- "Late" pledges, made near the end of the campaign, should have significant documentation and greater expectation of realization. PR is a major issue/consideration
- Keep "different" sorts of gifts separate:

How to Count

- Separate goals for gift types:
  - Outright gifts and pledges at face value; or, outright gifts, pledge balances, and pledge payments on those pledges
  - Irrevocable deferred gifts at both face and present value (for transparency), although face can be used for the goal
  - Revocable gifts and conditional pledges, also at face and present value
- Advised to further segment between gifts to featured objectives and all other

What Counts

- Advance/Silent phase gifts/commitments
- Pledges of 5 years or less – maybe
- Outright gifts and pledges actually *received* during campaign
- Gifts/pledges *made* during this campaign
- Anything clearly described before the campaign begins – no changes later – and announced to all appropriate audiences

What Doesn't Count*

- Advertising revenue
- Alumni membership dues/fees
- Appraisal costs and other expenses associated with conveying a gift
- Contract revenues (including clinical trial funds)
- Contributed services
- Partial interest
- Standard discounts on purchases (does not include true bargain sales)
- Earned income transfer payments from money earning programs/businesses
- Gifts or pledges counted before; payments on pledges or bequests made before

*Applies to Campaigns AND VSE

What Doesn't Count*

- Gifts to social organizations
- Governmental funds – ALL kinds
- *Oral* pledges (except telethon!)
- Written-off pledges
- Investment earnings on gifts – includes gains/losses on sales of stock/other property
- Funds from exclusive vendor relationships: Affinity credit cards, pouring rights, royalties, or other contractual obligations
- Non-gift portion of QPQ transactions
- Surplus income from ticket-based operations

*Applies to Campaigns AND VSE

All Gifts Must Be Voluntary!

Development Director convincing potential donor to contribute during final phase of the Annual Fund Campaign. (Note back-up "tough" when all else fails.)

Final Questions?