# What Counts, What Doesn't Count, and How Should You Count What Counts: 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

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## 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!

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## 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!
  - PPP* & AHP do have "suggestions"
- Required for submission of the annual CAE/VSE Survey and the CASE Campaign Survey
- Must evolve to stay relevant

*Oops – they changed their name again! National Association of Charitable Gift Planners (CGP)

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## Focus/Rationale for Latest Revision

- Changes affected 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

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# Institutional Counting Guidelines

Should begin w/CASE as a foundation – but rules were made to be broken ☺

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# Gray Areas

- CASE Guidelines leave a number of decisions up to the institution.
- There are also some black & white areas often misunderstood.
- *Your own* Campaign Counting Policy will need to specifically address how the gray AND black & white areas will be handled:

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# Gray Areas

- Grandfathering (Black & White for CASE – Gray for many)
- Government Funds (Black & White for CASE – Gray for many)
- Campaign Length (Black & White for CASE – Gray for many)
- Pledge Length (Black & White for CASE – Gray for many)
- Bequest Expectancies (Gray for CASE!)
- Deferred Gifts (Gray for CASE!)
- Conditional Pledges (Gray for CASE!)
- 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

- You never count government funding from any government for any reason.
- 4th edition review committee did, however, take the issue up again.
- But does that mean no one counts these?


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## Campaign Length

- Depends on the nature of the campaign!
- 7 or 8 years is the norm these days – if the VP lasts that long!
- Shorter campaigns are common – especially for strategic/targeted initiatives
- 8 years should be it
  - Maximize commitment of volunteers, staff, and donors (avoid burn-out
  - Keep campaigns "honest"

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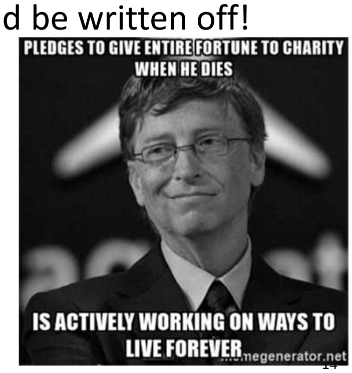
## Pledges

- 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!!!!!!!!!!!!!!!!
- Establish a policy
- NC State Policy allowed for up to 10 years
  - Only for leadership pledges ($100,000+)
  - Approved in writing by the Chancellor & Vice Chancellor
- Must continue an annual review and write-off program

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# Bequest Expectancies

- Irrevocability no longer required
- 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

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# Irrevocable Deferred Gifts

- May 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 report the present value (IRS deduction) of these, but face value counts towards goal
  - Only the present value counts for VSE purposes
- Minimum ages should be considered

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# 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

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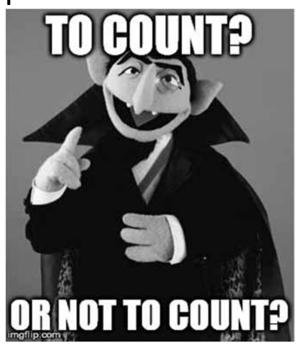
## Alumni Dues Issues

- Maybe a gift per the IRS!




- Historically *never* counted for CASE/CAE purposes

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## Final Answers

- Alumni dues must be excluded from official fundraising totals
- If an amount was paid over and above the alumni dues for charitable purposes, those additional funds can be counted
- If no gift, no counting for alumni participation

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# Misunderstood Black & White Areas

- Services & Partial Interest (more later)
  - 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.

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# What Is A Gift/Grant?

- 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!**


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## 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:

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## "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

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# “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>

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# Handling Some Specific 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?

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# 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*

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# 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."

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## 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."

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## 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.

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## 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

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## 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: snail-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

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## 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."

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## Pause for Questions

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*

*CASE has actually addressed this!

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## 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:

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## 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 matter. 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

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## 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 Recap

- 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

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## 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

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## What Doesn't Count

- Gifts to *social* organizations
- Governmental funds – ALL kinds
- *Verbal* 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

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## Additional Resources

- John's listserv, "FundSvcs"
- Advancement Services Download Site
  - www.FundSvcs.org
- Association of Advancement Services Professionals (AASP – Advserv.org)
- 2015/2016 Advancement Services book (3rd edition) published by CASE
- CASE Reporting Standards & Management Guidelines - & 10/2011 Clarification
- johntaylorconsulting@gmail.com

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