Planned Giving Instruments

Instrument	Explanation/Execution	Advantages	Disadvantages
Wills/Bequests	Donor names charity as beneficiary in will. Can be for fixed amount, a percentage of the estate, funds left over after other wishes are fulfilled, etc.	• Well-known and understood, inexpensive, simple, costs nothing to administer.	• Revocable
Retirement Plan Designation	Donor could take distribution from retirement plan in cash and then contribute long-term appreciated securities to the nonprofit, In 2013, if the donor is over 70 ½ years, make a Charitable IRA Rollover Gift.	• Donor would avoid paying capital gain tax on distribution • Charitable IRA rollover allows the donor to make a gift without including the distribution as taxable income	• Charitable IRA Rollover Gift is time limited
Charitable Gift Annuity	Contractual arrangement with charity pledging its assets to fulfill contract. Donor makes gift of asset and charity agrees to pay a fixed annual income for the life of the donor and/or another beneficiary. Charity retains remaining principle at death of all beneficiaries.	• Irrevocable • Income to donor, a portion of which may be tax-free • Income tax deduction for value of charitable remainder • Reduction in estate taxes and capital gains	• More complicated than wills • Requires expertise of planned giving expert
Deferred Payment Gift Annuity	Same as above but no annuity is paid until later, usually when donor reaches a specified age.	• Same as above • Allows donor to take income tax deduction while in a higher tax bracket while retaining the size of the charitable remainder interest.	• More complicated than wills • Requires expertise of planned giving expert

Planned Giving Instruments

Pooled Income Fund, aka "Charitable Mutual Fund"	Multiple donors contribute to a pooled investment fund and receive life income that varies year-by-year according to the fund's return. Organization retains charitable remainder interest upon donor's death and may withdraw it from the pool for other uses.	• Irrevocable • Provides income tax deduction for value of remainder interest • Reduced estate and capital gains taxes • Low contribution levels required • Additional contributions permitted	• Income is taxed as ordinary income • Income not guaranteed as with annuity
Charitable Remainder Annuity Trust (CRAT)	Donor transfers assets to the trust, which may be controlled by the organization or a third party. Income is passed to donor for life or no more than 20 years. Trust distributes 5-50% of its assets each year (fixed rate established when creating trust) to donor. Trust must pass 10% charitable remainder rule.	• Irrevocable • Beneficiary may be changed if provided for in trust instrument • Income tax deduction for charitable remainder interest • Capital gains, and estate tax reductions • Donor may make additional contributions	• Requires thorough estate planning
Charitable Remainder UniTrust (CRUT)	Payout rate is determined at a fixed percentage of the annual fair market value of the trust.	• Same	• Requires thorough estate planning
Net Income Charitable Remainder Unitrust (NIMCRUT)	Same, except donor specifies payment to be made out of interest only.	• Same • Retains value of charitable remainder interest	• Requires thorough estate planning
Net Income Charitable Remainder Unitrust with Make Up Provisions	Same as Net Income Charitable Remainder Unitrust except that donor retains right to make up income lost in low return year in subsequent years.	• Same	• Requires thorough estate planning
FLIP Trusts	Like Net Income Charitable Remainder Unitrust w/ Make Up Provisions when established and then converted to a Standard CRUT.	• Same	• Requires thorough estate planning

Planned Giving Instruments

Charitable Remainder Annuity Trust	Same as Standard CRUT, except that annual payment is a fixed amount that is a % of the trust's original value.	• Same except that no additional contributions are permitted	• Same except that no additional contributions are permitted
Charitable Lead Trust	Annual payment from a trust is designated to a charity for a period of time specified by donor, at the end of which the principle returns to the donor or is distributed to another beneficiary.	• Income tax deductions in the amount of the annual contributions	• No other tax savings • May create gift tax liability when principle passes to beneficiary
Retained Life Interest	Donor transfers farm or personal residence to charitable organization, retaining its use for their lifetime.	• Income tax deduction for the value of the charitable remainder interest • Reduced estate tax	• Must get EPA certification of land
Life Insurance	Donor contributes policy to organization, which collects death benefit. Charity must be owner and beneficiary of policy for donor to receive income tax deduction.	• If policy is fully paid when donated, the donor receives income tax deduction for value of policy. • Annual premiums paid by donor are tax deductible. (Best to have donor contribute to charity that will pay premiums.)	• Income tax deduction

Charitable giving made most meaningful.

Guidelines for Reporting and Counting Charitable Gifts

2nd edition

Guidelines for Reporting and Counting Charitable Gifts

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If legal advice or other professional assistance is required, the services of a competent professional person should be sought.

From a *Declaration of Principles* jointly adopted by a committee of the American Bar Association and a committee of publishers and associations

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Executive Summary

The Guidelines for Reporting and Counting Charitable Gifts recommend that fundraising campaigns of whatever duration would be better structured, clearer in their expectations, more transparent in their reporting and more truly comparable if they were to set three separate and complementary goals and report fundraising results in these three dimensions:

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

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

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

These guidelines also recommend that charities report their progress toward each of these goals separately, using face value numbers.

Key Principles—The guidelines are based upon several key principles. Among the most important of these are that the guidelines should:

- Be clear, transparent and easily understandable by development professionals as well as the wider audience of staff, volunteers, regulators and benefactors.

- 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 campaign and development effort.

- Recognize that campaigns are usually finite, often with a multi-year timeframe. We also recognize that some organizations conduct a series of annual campaigns with a structure very similar to multi-year campaigns.

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Endorsements

The Partnership offers these guidelines as an option for use by charitable organizations in counting and/or reporting charitable gifts to external constituencies. We encourage each organization to implement counting and reporting procedures that satisfy its needs for monitoring and communicating progress toward fundraising goals.The following organizations have formally endorsed the Guidelines as a best practice for management reporting. If your organization would like to endorse the Guidelines, please contact Barbara Yeager at byeager@ncpg.org or (317)269-6274 ext. 12.

Association of Fundraising Professionals
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Introduction

In March 2005, the National Committee on Planned Giving (now the Parthership for Philanthropic Planning) published the Guidelines for Reporting and Counting Charitable Gifts, the result of nearly two years of deliberation, consultation and collaboration by a national task force. Simultaneously, NCPG continued a series of conversations with other organizations and groups of professional leaders interested in coming to agreement on common guidelines that could be used by nonprofit organizations of all types. Among these organizations is the National Capital Campaign Counting Guidelines Committee, a group of senior development professionals from across the country.

In each of these conversations, credibility and transparency arose as the key issues critical to any sector-wide standard. For far too long, boards, executive officers, volunteers and employees charged with carrying out the mission of charitable organizations have questioned the validity of fundraising reports. Formal campaigns seemed to grow exponentially in size, but the usable dollars failed to match the sometimes grandiose announced campaign totals. Now, as nonprofit organizations strive to comply with the spirit of Sarbanes-Oxley legislation, and as the public—both those with an intimate knowledge of a particular organization and those who observe from a distance—view mega-campaigns with increased skepticism, charitable organizations are seeking new and more transparent ways of reporting fundraising results, while also recognizing the wide array of gift vehicles and mechanisms now available to donors.

Historical Context

Initially, fundraising campaigns were focused efforts designed to accomplish one specific project, almost always a capital building, expansion or renovation project. In the early days of campaigns, organizations would often employ outside fundraising counsel, who would organize a team of volunteers, solicit businesses and individuals in the community or within the organization's easily identified constituency, and raise the funds. Campaigns were focused on cash gifts only, were relatively short in duration, were "unusual" events in the life of the organization, and were staffed by volunteers directed by an outside fundraising professional brought in specifically for that purpose. Few charities employed full-time development officers.

As organizations began to build their own internal fundraising resources and increasingly focused on raising money every year, they began to think about campaigns in new ways. Campaigns became annual efforts with articulated goals, and increasingly multi-year efforts in which long-term relationships with donors played a far more important role than they had earlier. For that reason, professional staff fundraisers have become heavily involved in the direct face-to-face solicitation process. While volunteers continue to play a vital role, staff members have increasingly taken the lead in organizing and conducting campaigns.

Second, charities moved from single-project focus to a more comprehensive effort, in which all the needs of the organization—capital, endowment and current operating—were folded into the campaign structure.

Third, charities are always in a quasi-campaign mode. Even if organizations are not in a formal campaign, they are raising as much money as they can for the on-going priorities of the institution; there is no let-down or "rest period" between projects as there used to be.

Finally, charitable organizations recognized that not all assets come in the form of cash, and that both non-cash assets and new and more complex methods of transferring those assets would increase access to more and larger gifts. Planned giving became an important part of successful fundraising campaigns, whether the annual campaign or themore highly visible multi-year comprehensive campaign.

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Even as this evolution in campaign definitions took place, the actual structure of campaigns remained static. Organizations continued to set a single financial goal and to operate under the premise that all gifts, no matter what kind or what character, could be counted and reported in a way that would be recognized as equivalent to all other gifts. This paradigm has limited the ability to structure campaigns in ways that will attract the largest gifts. It has circumscribed the capacity to explain in clear and transparent ways the various types of gifts that make up campaigns. It has also limited the ability to focus on real results across the broad spectrum of gift options. These guidelines recommend a new paradigm for structuring both annual and multi-year campaigns and for counting and reporting gifts within those campaigns.

A Note About Transparency

Transparency in reporting standards is a function of accuracy, completeness and clarity. These counting guidelines address all three dimensions.

In the past, many organizations have reported campaign progress using complex formulae for deriving net present value of gifts and gift commitments. Unfortunately, individuals and organizations differ on the appropriate formulae to use, and the results rarely reflect the actual value of a gift to an organization. The guidelines focus on the character of the gift, placing commitments in three easily recognized and unambiguous categories. By not mixing these types of commitments, the guidelines accurately reflect the results of an organization's development activities. Organizations that choose to combine the three categories into a single campaign total risk obscuring the real nature of the organization's philanthropic support.

Second, these guidelines account for all commitments made during the campaign period, not simply those for which the donor received an immediate tax deduction. Bequest commitments and other deferred gifts, whether revocable or irrevocable, are all part of the goals of a complete fundraising program, and should be reported. The fact that they do not represent money "in hand" is unambiguously presented by the three-category reporting structure.

Finally, the guidelines strive for clarity. Donors, boards of trustees, administrative staff, faculty members and other constituencies often care little for the fine distinctions of the accounting profession. Reports of fundraising activity should reflect clearly the activity that has transpired and its results. By reporting three complementary but separate categories, these guidelines emphasize that clarity. They speak the same language that donors use when they make their gifts, and that other groups speak when they issue reports.

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Definitions and Distinctions

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. For example, some organizations require written confirmation of a bequest provision while others rely solely on a donor's verbal commitment. Such recognition need not stem from any of the factors of counting and reporting, accounting or valuation, although a given organization may use any of these calculations as the basis of its donor recognition policies.

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. Throughout the guidelines, we use the term "reporting period" to encompass traditional multi-year campaigns and other time frames in which a nonprofit elects to report fundraising activity. When charities elect to enter multi-year campaigns, they will, as they do currently, prepare two complementary reports, one of annual activity and one for the multi-year effort. Further clarification is on Page 6 of this report.

Distinction Among Counting, Valuing and Crediting: Confusion of the terms and processes related to "counting," "valuing" and "crediting" is very common. In general:

1. Counting provides a way in which all charities can record what they do, so that they can report their activity and results clearly to the public, compare results and measure against clearly articulated and unambiguous goals.
2. Counting provides a way to measure the intent of the donor, since most donors focus on the dollar amount of their commitment at the time they decide to make it, and not on the net value to the charity in an ultimate sense. All gifts, revocable and irrevocable, current and deferred, should therefore be counted.
3. Counting complements valuation, which is an institution-specific calculation and measures the value to that organization of the total gift transaction over time. These Guidelines for Reporting and Counting Charitable Gifts are compatible with the Valuation Standards for Charitable Planned Gifts and should be used as complementary tools. See list of suggested readings for this report.
4. Counting commitments and reporting them are external processes, intended for public

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information and comparison among organizations, while valuation is an internal process, based on the factors peculiar to each organization's investment and financial experience.

5. Likewise, crediting a particular donor's gift is an internal process dependent on each organization's history, mission and policies.

Recommendations

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:

1. **Category A: An outright goal** for gifts that are usable or will become usable for institutional purposes during the reporting period (whether one or more years).
2. **Category B: An irrevocable deferred gift goal** for gifts committed during the reporting period but usable by the organization at some point after the end of the period.
3. **Category C: A revocable deferred gift goal** for gifts solicited and committed during the reporting period but in which the donor retains the right to change the commitment and/or beneficiary.

These three categories should guide *both* the goals charitable organizations set at the beginning of their campaigns, and the reporting of results during the campaign period. In this way, organizations can measure results against aspirations, and can articulate clearly and definitively that all three types of gift commitments are crucial to achieving charitable mission. By setting clear goals in each of these categories from the beginning of a campaign, organizations can move more directly to conversations with donors about potential gifts to each of the three complementary goals. The "three-tiered" ask becomes a natural part of the campaign effort.

Charities should report progress toward these goals using **face value data**. Because these guidelines focus on reporting and not valuation, the specifics of each gift, like the age of the donor or the payout rate from a life income arrangement, are not relevant factors. 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, confusion about counting will diminish, 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 are inherently different in character. Categorical goals reflect, much better than a single goal, the true nature of campaigns and annual fundraising efforts as they currently exist.

Charitable administrators should "count" toward their stated goal in each of the three categories *only new* commitments made during that reporting period. However, we recommend that charities report all charitable receipts or changes in commitments that affect the financial state of the charity, even when these are not counted toward campaign goals. The sample reporting form (page 22) provides a separate column for reporting commitments that have changed in character during a reporting period, like trusts or annuities that have matured or revocable commitments that have become irrevocable. For use in a campaign context, the sample reporting form also includes a column for reporting matured gifts that were committed and counted toward the goals of a previous campaign.

The breakdowns suggested in the sample reporting form are intended for internal reporting clarity. We recommend that *only* the summary results in the three major categories should be reported to external constituencies.

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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. In particular, they measure progress toward goals associated with revocable commitments, with gifts with uncertain outcomes like qualified retirement plans or insurance gifts and with gifts from intermediary organizations like donor advised funds or supporting organizations, all of which can easily be overlooked or even lost if IRS guidelines alone are used as the counting standard. A complete fundraising operation focuses on all of these gifts, 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. All gifts should be part of any campaign and all should, therefore, be reported. This is true whether the organization is looking at an annual fundraising plan or a multi-year campaign.

These guidelines improve the ability to report clearly the results of fundraising activity.

One of the most difficult tasks for development offices in recent years has been to report results clearly to boards, to others within the organization and to the public. 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. Such campaigns are like the fruit seller who tells his auditors that he has 100 pieces of fruit in his inventory. This may be true, but it says nothing about how many pieces are ripe (i.e., can be consumed today), how many need to wait for some time until they are edible, how many might spoil after a while if not used, or how many he will get tomorrow from the delivery cart—and certainly it says nothing about the number of individual apples, oranges or bananas. 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.

Just as "value" is an internal process that may rely on factors that are unique to each nonprofit and is therefore non-comparable, "counting" is an external process that should enable comparability across institutional lines. Using the IRS tax calculation formulae to ensure comparability takes into account only *some* fundraising activities and leaves out a large segment of the fundraising results. A much more straightforward focus on reporting, making sure that the results are categorized appropriately, achieves comparability by setting a structure and multiple goals at the beginning of the process, so it is easy to see how many annuities were written, at what face value this year, as opposed to last, or as opposed to other organizations. It is important to understand that the 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. All these activities take time, resources and attention. All should be part of the reported activities and achievements of fundraising programs.

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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. There are exceptions, but most donors would not make gifts if they did not intend the gifts to be of value to the organization. All gifts, revocable and irrevocable, current and deferred, should, therefore, be reported.

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 institutional foundation to present such a giving opportunity. By establishing three interlocking but separate goals—for outright gifts, for deferred irrevocable gifts and for revocable gifts—the "triple ask" becomes part of the charity's regular appeal. 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 clarify that both valuation and crediting processes are related to, but separate from counting.

The Valuation Standards for Charitable Planned Gifts offer one method for determining the future purchasing power that a planned gift will have when it is received and used for its charitable purpose. Crediting is the way each organization recognizes its donors. Counting is an arithmetic activity—the numeric summary of activity, results and progress toward goals. Charities should be clear on what methodology they are using, and for what purpose.

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 they have generally been used only to articulate and measure personal or collective staff activity for internal evaluation purposes. The Partnership believes that charities will be more successful if they measure their activities and set public goals for both annual and multi-year fundraising efforts using these categories.

These guidelines will report a gift only once as a campaign commitment. Organizations may wish to report the maturation of commitments counted in a previous campaign, not as new gifts, but rather to articulate the total impact of the development effort on the organization.

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 a given campaign. Organizations will wish to note changes in gift character within a campaign, but if a gift that is committed in one campaign acutally matures after the campaign has ended, the matured gift should not be counted as a new gift in a new campaign.

Our reporting worksheet allows charities differentiate in their reports between new commitments and commitments from previous campaigns that have changed in character (see page 22). 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 guidelines 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.

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Specific Counting and Reporting Guidelines

Fundamental Principles of Campaign Counting

These principles apply specifically to organizations planning comprehensive multi-year campaigns. All of these recommendations follow from the paradigm set forth previously in this report.

1. The following **basic principles** for counting gifts should be used for the campaign:

   a. Only those gifts and pledges actually received or committed during the period of time identified for the campaign should be counted in campaign totals.

   b. The advance-gifts phase is part of the designated campaign period, and commitments reported for this phase should actually have been received or pledged during this specified period within the campaign timeframe. Defining the advance-gifts phase as part of the campaign period will also help ensure that so called "reach back" gifts are not counted. Gifts made in contemplation of a campaign (i.e., gifts for specifically defined campaign priority projects committed before the advance gift phase) must be acknowledged on all campaign reports.

   c. Gifts and pledges may be counted to only one campaign. Organizations may also wish to note maturations of commitments made to a previous campaign, but these should not be confused with new commitments secured during the campaign (see the sample reporting form on page 22). The value of canceled or unfulfilled pledges should be subtracted from campaign totals when it is determined they will not be realized.

   d. If a commitment recorded in Category C (revocable commitments) in a previous campaign without a dollar figure or with only a nominal figure attached to it is realized in a current campaign, it should be recorded in Category A (outright gifts) as a current gift.

2. **Campaign Period**: All gifts and pledges to the campaign and affiliated entities acting on its behalf during the campaign period should be counted in accordance with these Guidelines. The "campaign period" refers to the total time encompassed by the active solicitation period for the campaign, including the advance-gifts phase. The normal length of a campaign is suggested to be no more than seven years. Should the campaign period exceed seven years, the expanded period should be noted on all campaign reports, news releases and marketing materials.

3. **Pledge Payment Period**: The pledge payment period should not exceed five years for commitments counted in Category A, and if exceptions are approved by the Oversight Committee, the exceptions should be enumerated in campaign reports.

4. **When to Report Gifts:** Outright gifts should be reported only when assets are transferred irrevocably to the institution. Deferred irrevocable gifts should be reported only when assets are transferred to the gift instrument. Revocable commitments should be reported when the gift instrument is executed and sufficient documentation is received by the charity.

5. **Annual Reporting within a Multi-Year Campaign**: Many charities "bundle" their annual fundraising activities into a more comprehensive multi-year effort. Just as organizations now report annual results as a subset in the midst of a multi-year process (and thus keep two sets of complementary "books"), so could charities use these guidelines to report activities in both an annual "campaign" and a multi-year "campaign."

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6. **Reporting of maturations of previous commitments:** So often, development programs receive little recognition for the ultimate maturations of irrevocable and revocable deferred gifts. Development staff may not even know when these gifts have matured. This is particularly true for life income gifts—trusts, annuities and PIF funds—but sometimes also for distributions from life insurance contracts or qualified retirement plans. These matured distributions, however, have direct impact on the financial welfare of the organization. While we do not recommend that organizations count these matured distributions in campaign totals if they had been counted in a previous campaign, we do recommend that development operations report to boards and other key constituents when these distributions occur (see page 22 for the recommended procedure).

   All too often, executives and board members see the numbers when commitments are made, but lose track of the ultimate benefits when distributions take place. Closing the circle by reporting these results separately from new commitments will provide a more well-rounded picture of the impact of the entire development program on the institution and reinforce the understanding of those outside of the development office about the three dimensional and long term benefits of the work they are doing.

7. **Exclusions:** The following types of funds are excluded from campaign totals.

   a. Gifts or pledges, outright and deferred, to the extent that they have already been counted in previous campaigns, even if realized during the campaign-reporting period. (Matured commitments from previous campaign are tracked separately on the campaign reporting form; see page 22).

   b. Investment earnings on gifts, even if accrued during the campaign reporting period and even if required within the terms specified by a donor (the only exception permitted to this exclusion would be interest accumulations counted in guaranteed investment instruments that mature within the timeframe of the campaign, such as zero coupon bonds).

   c. Earned income, including transfer payments from medical or analogous practice plans.

   d. Surplus income transfers from ticket-based operations, except for any amount equal to thatpermitted as a charitable deduction by the IRS/Revenue Canada.

   e. Contract revenues.

   f. Government funds.

   (1) We recognize that certain state and federal government programs requiring private matching funds bear a special relationship to the encouragement of philanthropy. Nevertheless, the difference between public and private support is profound within the American tradition. Campaigns are clearly instruments of philanthropy, while governments are usually channels for the implementation of public policy. There are instances, however, in which government-funded agencies act like private foundations in their competition and award process (e.g., NEH, NSF, FIPSE). Proposals to these agencies require attention and effort by development professionals in much the same way as do private foundations.

   (2) As a way of recognizing both the potential slippery slope of counting government generated funds of any kind and the legitimate development work that goes into generating grants from certain government agencies as noted above, we recommend that charitable organizations include these qualified grants as an addendum to their regular periodic report of activity (similar to matured deferred gifts) but that they not count them as part of the report of private giving. Again, the key is clarity and transparency.

8. **What to Report:** All gifts, pledges and commitments falling into categories covered by these standards may be reported. However, in keeping with the spirit of these standards, it is never appropriate to set a single overall campaign goal or to report only one number when announcing campaign results.

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As a minimum, the following results should be available for reporting:

a. The total of outright gifts and pledges received, reported at face value, and payable within the campaign period and post-campaign accounting period, as specified in the campaign plan.

b. The total of irrevocable deferred commitments, which will be received at an undetermined time in the future, reported at face value.

c. The total of revocable deferred commitments, which will be received at an undetermined time in the future, reported at estimated current value or, if the campaign goal so stipulates, reported as the number of new revocable commitments regardless of estimated value.

Category A: Outright Gifts

1. Definition: Gifts that are usable or will become usable for institutional purposes during the reporting period, whether one or more years. Examples include:

a. Cash
b. Marketable securities
c. Other current gifts of non-cash assets
d. Irrevocable pledges collectible during the reporting period
e. The gift portion of bargain sales
f. Lead trust distributions received during the reporting period
g. Cash value of life insurance owned by the charity (net of policy loans)
h. Realized life insurance or retirement plan benefits in excess of the amounts reported in previous campaigns
i. Realized bequests in excess of the amounts reported in previous campaigns

2. Pledges: Pledges are counted upon receipt of the written pledge, provided the pledge is in accord with these guidelines.

a. Pledges to make outright gifts: Such pledges should be written and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The pledge payment period, regardless of when the pledge is made, should not exceed five years. Therefore, a pledge received even on the last day of the campaign is counted in campaign totals and may be paid over a five-year period.

b. Oral Pledges: Oral pledges should not be reported in campaign totals. On the rare occasion when an exception is warranted, the organization should write to the individual making an oral pledge to document the commitment, place a copy of the confirmation in the donor's file and gain specific written approval from the oversight committee.

3. Guidelines for reporting specific types of assets

a. Cash: Report cash at full value as of the date received by the institution.

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b. Marketable Securities: Marketable securities should be counted at the average of the high and low quoted selling prices on the gift date (the date the donor relinquished dominion and control of the assets in favor of the institution). If there were not any actual trades on the gift date, the fair-market value can be computed using the weighted average of the mean of the high and low trading prices on a date before and a date after the gift date, if those dates are a reasonable number of days before and after the actual gift date. If there were no actual trades in a reasonable number of days before and after the gift date, then the fair-market value is computed based on the average of the bid and the ask price on the gift date. Exactly when dominion and control has been relinquished by a donor depends on the method of delivery of the securities to the donee. These reporting standards do not address the multitude of tax rules regarding the delivery of securities by the donor to the donee.

c. Closely Held Stock:

(1) Gifts of closely held stock exceeding $10,000 in value should be reported at the fair-market value placed on them by a qualified independent appraiser as required by the IRS for valuing gifts of non-publicly traded stock. Gifts of $10,000 or less may be valued at the per-share cash purchase price of the closest transaction. Normally, this transaction will be the redemption of the stock by the corporation.

(2) If no redemption is consummated during the reporting period, a gift of closely held stock may be credited to campaign totals at the value determined by a qualified independent appraiser. For a gift of $10,000 or less, when no redemption has occurred during the reporting period, an independent CPA who maintains the books for a closely held corporation is deemed to be qualified to value the stock of the corporation.

d. Gifts of Property:

(1) Gifts of real and personal property that qualify for a charitable deduction should be counted at their full fair-market value. Gifts-in-kind, such as equipment and software, shall be counted at their fair-market value.

(2) Caution should be exercised to ensure that only gifts that are convertible to cash or that are of actual direct value to the institution are included in value are treated like other gifts-in-kind, but so called mega gifts of software and hardware may require special care. These types of gifts can be especially complex, and institutions should exercise extreme caution in counting these gifts in campaign totals.) Gifts with fair-market value exceeding $5,000 should be counted at the value placed on them by qualified independent appraiser as required by the IRS for valuing non cash charitable contributions. Gifts of $5,000 and under may be reported at the value declared by the donor or placed on them by a qualified expert.

e. Nongovernmental Grants and Contracts: Grant income from private, nongovernmental sources should be reported; *contract revenue should be excluded*. The difference between a private grant and contract should be judged on the basis of the intention of the awarding agency and the legal obligation incurred by an institution in accepting the award. A grant is bestowed voluntarily, without expectation of any tangible compensation. It is donative in nature. A contract carries an explicit quid pro quo relationship between the source and the institution.

f. Realized Testamentary Gifts: All bequests realized during the defined duration of the campaign should be counted at full value in campaign totals, insofar as the amount received exceeds commitments counted in a previous campaign. If a revocable testamentary commitment made during the current campaign and counted in Category C matures during the same campaign period, it should be removed from Category C and included as an outright gift in category A.

g. Realized Retirement Plan Assets: All gifts of retirement plan assets realized during the defined duration of the campaign should be counted at full face value in campaign totals to the extent the gift was not counted as a commitment in a previous campaign.

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Category B: Irrevocable Deferred Gifts

1. **Definition:** Gifts committed during the reporting period, but usable by the organization at some point after the end of the period. Examples include:

   a. **Split interest gifts** such as charitable gift annuities, pooled income fund shares and charitable remainder trusts in which the beneficiary designation is irrevocable.
   b. **Life estates**
   c. **Death benefit of paid up life insurance** in which the charity is both owner and beneficiary.
   d. **Irrevocable testamentary pledges or contract to make a will**
   e. **Lead trust distributions** to be made after the reporting period

2. **Charitable Remainder Trusts, Gift Annuities and Pooled-Income Funds:** Gifts made to establish charitable remainder trusts (including charitable remainder trusts administered outside the institution) where the remainder is not subject to change or revocation, gift annuities and contributions to pooled income funds should be credited to campaign totals at face value. When additions are made to gifts that have been counted in previous campaign(s), the additions can be counted in the current campaign.

3. **Remainder Interest in a Residence or Farm with Retained Life Estate:** A gift of a remainder interest in a personal residence or farm should be counted at the face value.

4. **Charitable Lead Trusts:** Charitable lead trusts are gifts in trust that pay an income to the charity over a period of time. These payments should be counted in Category A for amounts received during the campaign period. The remainder of the income stream to be received by the charity should be counted in Category B.

Category C: Revocable Deferred Gifts

1. **Definition:** Gifts solicited and committed during the reporting period, but which the donor retains the right to change the commitment and/or beneficiary. Examples include:

   a. **Estate provisions**, either from a will or a living trust.
   b. **Charitable remainder trusts** in which the donor retains the right to change the beneficiary designation. When additions are made to gifts that have been counted in previous campaign(s), the additions can be counted in the current campaign.
   c. **IRAs or other retirement plan assets** in which the charitable beneficiary's interest remains revocable by the donor
   d. **Life insurance in which the donor retains ownership** (face value less any policy loans) and in which charity is owner but premiums remain due.
   e. **The portion of Donor Advised Fund assets** due to the charity in which the charity is the owner of the DAF program.
   f. **Other revocable pledges**

2. It is difficult to put specific numbers on certain revocable commitments whose ultimate maturation value is uncertain. The numbers reported in Category C may at best be estimates and should reflect both conservative and realistic understanding of each donor's circumstances. Commitments counted nominally in category C (for example, at $1, because the charity had no information about the value) can be counted at full value in category A if they mature in a later campaign.

3. **Age Minimums:**

   a. Some organizations have set a minimum age limit (often 65 or 70) for counting revocable commitments in a formal campaign. The age limit was considered necessary due to the lack of transparency in campaign counting and the fear that inclusion of revocable commitments unlikely to mature within a "reasonable" time after the end of the campaign could mislead the public about the current benefits derived from campaign activity. We recognize the importance of this issue and organizations should exercise discretion to determine if age limits are more comfortable for their circumstances.

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b. However, setting age limits is not deemed necessary in these guidelines for two reasons. First, setting initial goals that differentiate revocable deferred commitments from other immediate or irrevocable deferred gifts provides a level of transparency sufficient to eliminate the need to explain the uncertainty of timing, nature and extent of the commitment. Second, revocable deferred commitments are often only the first major commitment a donor makes to a nonprofit organization. Those who make such commitments, no matter what their age, rarely remove a charity if they are properly stewarded. And those who make such commitments often make additional commitments that are irrevocable and frequently immediate. Accordingly, campaigns should recognize all who make such commitments. These guidelines allow charitable organizations to be clear about the nature of a revocable deferred gift and differentiate such commitments from gifts that have more immediate impact on the institution.

4. **Estate Provisions:** To include estate provisions in campaign totals, the following requirements must be satisfied:

a. The commitment should specify an amount to be distributed to the organization or, if a percentage of the estate or a trust, specify a credible estimate of the value of the estate at the time the commitment is made.

(Note: The decision about whether or not these types of gifts should be given campaign credit is often based on the value of the estate. At best, this requires a judgment call to be made by the campaign managers after conversation with the donor and his/her advisor.)

b. Have verification of the commitment through one of the following forms:

(1) A letter or agreement from the donor or donor's advisor affirming the commitment.

(2) Copy of will

(3) Notification form provided by the charity, signed by donor or advisor

(4) Charitable/Deferred Pledge Agreement. A deferred pledge agreement is a legally binding document, tested in the courts of several states, that places an obligation on the estate of the issuer to transfer a certain amount to the institution. Under such agreements, the executor of the donor's estate is held legally responsible for payment of the specified amount from the estate.

c. The campaign will carefully investigate the actual circumstances underlying the estate and be conservative in counting such commitments toward campaign totals. If any circumstances should make it unlikely that the amount pledged by bequest will actually be realized by the organization, then the commitment should be further adjusted according to specific circumstances, or not reported at all.

5. **Retirement Plan Assets:**

a. The organization may be named as the beneficiary of retirement plan assets. A testamentary pledge of retirement plan assets shall be included in campaign totals if the following requirements have been satisfied:

b. There must be a means to establish a credible estimate of the value of the retirement plan account at the time the commitment is made.

(Note: The decision about whether or not these types of gifts should be given campaign credit is often based on the value of the retirement plan assets at the death of the donor. At best, this requires a judgment call to be made by the campaign managers after conversation with the donor and his/her advisor.)

c. Have verification of the commitment in the form of a letter from the donor or the donor's advisor affirming the commitment.

d. The campaign will investigate carefully the actual circumstances underlying the plan and be conservative in counting such commitments toward campaign totals. If any circumstances should make it unlikely that the amount pledged will actually be realized by the organization, then the commitment should be further adjusted according to specific circumstances, or not reported at all.

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Gifts That May Be Counted In More Than One Category, Depending On The Circumstances

1. **Life Insurance:** To include commitments of life insurance in campaign totals, the following requirements must be satisfied.

    a. Ownership:

    (1) The organization should be made the owner and irrevocable beneficiary of gifts of all new policies, paid-up policies and existing policies that are not fully paid up.
    (2) If the organization is the beneficiary only and not the owner of a policy, gift credit will be given but only in Category C, in the same way as credit is given to any other revocable gift commitment
    (3) The remainder of these guidelines assume that the charity is the owner of the policy.

    b. Paid-up Life Insurance Policies: Counted at face value in Category B.

    c. Existing Policies/Not Fully Paid Up: A life insurance policy that is not fully paid up on the date of contribution, which is given to the institution during the campaign, should be counted at face value only in Category C.

    d. New Policies: Face amount of these policies should be counted in Category C.

    e. Realized Death Benefits. The insurance company's settlement amount for an insurance policy whose death benefit is realized during the campaign period, whether the policy is owned by the institution or not, should be counted in campaign totals, less amounts previously counted in former campaigns.

2. **Wholly Charitable Trusts Administered by Others:**

    a. A wholly charitable trust is one that is held for the irrevocable benefit of charity, where the principal is invested and the income is distributed to charitable organizations. All interests in income and principal are irrevocably dedicated to charitable purposes (as opposed to a charitable remainder or lead trust). While it is similar in that sense to an endowment fund, it is created as a freestanding entity.

    b. The fair-market value of the assets, or a portion of the assets, of such a trust administered by an outside fiduciary should be counted in Category A, in the "gifts and pledges" section of campaign totals, for the year in which the trust is established, *provided* that the institution has an irrevocable right to all or a predetermined portion of the income of the trust. If the trustee retains or is awarded the right to designate or alter the income beneficiary, only the income should be reported and then only as it distributed.

    c. In cases where less than the entire income of the trust is to be distributed to the institution, the amount to be reported is the income to be distributed to the institution over the total income (or the stated percentage to be distributed, if the trust terms spell this out as a percentage) multiplied by the value of the trust assets. The income of the trust, thereafter, is reported as a gift.

    d. Community and Private Foundations: Gifts **to community foundations**, the income from which is irrevocably designated, in whole or in part, to the organization, and **private foundations** established solely to benefit the organization or where the organization is to receive a specified percentage of the annual income each year, are two examples of wholly charitable trusts administered by others. (Gift recognition credit will generally be given to the foundation, although the original donors or their families should certainly be kept apprised of the distributions if at all possible.)

    e. **Donor-Advised Funds:** Donor-advised funds are IRS-approved public charities generally managed by investment companies and community foundations that serve as conduits for gifts. The donor's contribution is made to the fund. The donor reserves the right to suggest which charities should receive the annual income. Funds will be counted like any other gift as received. If a charitable organization is entitled to receive a certain percentage of the annual distributions of a DAF, it may count the value of that percentage as if it were an irrevocable trust administered by others.

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Gifts that Change Character During a Campaign Period

1. All campaigns, even those with twelve month duration, face the dilemma of reporting commitments that change character during the campaign period. The important point of these guidelines is that a commitment should, at the end of the campaign period, be reported only once and should reflect the final (or most recent) form of the commitment.

2. Example: It is possible for a donor to establish an irrevocable deferred gift or a revocable gift commitment that would be reported in Categories B or C, and then, for that gift to mature within the same campaign. In such cases, we recommend that the cumulative campaign report recognize the gift only in Category A, and that any previous interim report of the gift in Categories B or C be deleted. The annual report would note this change as well.

3. A donor creates a charitable remainder trust but retains the right to change the remainder beneficiary. That commitment would appear in Category C. If, later in the campaign period, the donor made the remainder beneficiary irrevocable, the commitment would shift in the cumulative campaign report to Category B and be removed from Category C. The annual report would note the shift as well.

4. Example: A charity receives a 20-year charitable lead trust paying $10,000 per year ($200,000 in total) in the first year of a five-year comprehensive campaign. The annual report in year one will note $10,000 (the amount actually received that year) in Category A and $190,000 in Category B. The cumulative comprehensive campaign report (covering all five years) will report $50,000 in Category A (the amount committed and to be received during the campaign period) and $150,000 in Category B.

   In years two through five, the annual report will again count a $10,000 cash gift with a note that this commitment had previously been reported in Category B. There would be no further reporting in the annual report for the Category B portion of the gift, since there had been no new commitment in year two. This example is illustrated in the following chart:

20-YEAR LEAD TRUST PAYING $10,000/YEAR

Year 1:	**Annual**	**5-Year Campaign**
	$10K in Cat A $190K in Cat B	$50K in Cat A $150K in Cat B
Years 2-5:	**Annual**	**5-Year Campaign**
	$10K in Cat A with note $0 in Cat B	Same as before

5. Finally, we should note again that we recommend charitable organizations report the cash distributions from commitments counted in previous campaigns, but that they not count these distributions toward "new" campaign goals. We do believe, however, that completing the cycle by noting to boards and internal managers the ultimate cash benefit of deferred commitments is an important part of the development reporting process. See page 22 for recommendations regarding the reporting of matured commitments from previous campaigns.

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Exceptions

An appropriate campaign oversight committee will have the authority to make exceptions to the foregoing for good cause on a case-by-case basis.

Conclusion

These guidelines recommend a method for reporting gift planning activity and results more clearly and more effectively than in the past. We recognize that the real test for these or any set of guidelines will be how this reporting structure operates in practice. Therefore, we encourage charitable organizations to share with the Partnership their experiences in using these guidelines.

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Further Reading

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Sample Reporting Form

The Sample Reporting Form provides a framwork for reporting the results of fundraising activity, either in an annual context, or in a multi-year campaign. In the campaign, a series of interim reports would be prepared, either annually or on a schedule determined at the beginning of the campaign.

Number of Gifts: new gifts or commitments that have been received during the reporting period, as well as gifts that have changed character during the period and been moved from another category. (See page 19 for additional information.) When a gift is moved from one category to another, the number of gifts in its original category should be reduced accordingly.

Face Value: the value of new gifts/commitments and gifts that have changed character during the reporting period. When a gift is moved from one category to another, the value of gifts in its original category should be reduced accordingly.

Valuation Based on the Partnership's Valuation Standards: The Valuation Standards for Charitable Planned Gifts provide a methodology for estimating what a future gift will be worth to charity in today's dollars. See page 8 for more information on the distinctions between counting and valuing gifts. The Valuation Standards can be viewed in PDF format at www.pppnet.org in the Programs -> Ethics & Standards section.

IRS Deduction Value: the charitable tax deduction as determined by U.S. Treasury regulations.

Note that the gift value according to the Partnership's standards and the IRS deduction value are included on this form in order to fully describe fundraising results for internal audiences, and to contrast figures arrived at by various methodologies. This information, and detailed information on various types of gifts within the three categories, are intended for internal reporting clarity. We recommend that *only* the summary results in the three major categories should be reported to external constituencies.

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SAMPLE REPORTING FORMAT

FUNDRAISING RESULTS					
Reporting Period:					
	*Number of Gifts	*Face Value	Valuation Based on NCPG Standards	IRS Deduction Value	**Matured Gifts Counted in Previous Campaigns
A. OUTRIGHT GIFTS					
Cash					
Public Securities					
Closely Held Securities					
Real Estate					
Tangible Property					
Other Non-Cash Assets					
Grant Income from Private, Nongovernmental Sources					
Irrevocable Pledges Collected During Campaign Period					
Gift Portion of Bargain Sales					
Lead Trust Distributions					
Cash Value of Life Insurance Owned by the Charity (Net of Policy Loans)					
Realized Bequests					
Realized Charitable Remainder Trusts					
Realized Charitable Gift Annuities					
Realized Insurance Policies					
Realized Retirement Plan Assets					
TOTAL OUTRIGHT GIFTS					

* These columns include both new gifts and commitments that have changed character ***during the reporting period*** (e.g., matured to category A from category B or C, or moved from category C (revocable commitments) to category B (irrevocable commitments).

** This column is used in a campaign context to show the value of realized gifts that were committed and counted toward goals in a previous campaign. Numbers in this column are never counted toward current campaign goals. If the value of the matured gift is greater than the value counted toward a previous campaign, and the increase is not attributable solely to investment performance, the excess value can be counted toward the current campaign. For example, a bequest that was nominally counted in Category C in one campaign can be counted in category A in a subsequent campaign at its full, realized value (see page 16).

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SAMPLE REPORTING FORMAT

	Number of Gifts	Face Value	Valuation Based on NCPG Standards	IRS Deduction Value	**Matured Gifts Counted in Previous Campaigns
B. IRREVOCABLE DEFERRED GIFTS					
New Charitable Gift Annuities					
New Deferred Charitable Gift Annuities					
New Charitable Remainder Annuity Trusts					
New Charitable Remainder Unitrusts					
Additions to existing CRUTS, if made during current campaign or counting period					
New Pooled Income Fund Contributions					
Completed Gifts of Life Insurance					
Remainder Interest in Property with Retained Life Estate					
Irrevocable Testamentary Pledges					
Future Lead Trust Distributions					
TOTAL IRREVOCABLE DEFERRED GIFTS					

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SAMPLE REPORTING FORMAT

C. REVOCABLE GIFTS				
Estate Provisions				
Qualified Retirement Plan Assets				
Incomplete Gifts of Life Insurance				
New Charitable Remainder Trusts (Donor Retains Right to Change Beneficiaries)				
Additions to existing CRUTS, if made during current campaign or counting period				
Donor Advised Fund Contributions Due to Charity				
Life Insurance Owned by Donor				
Commitments from Living Trusts				
Other Revocable Pledges				
TOTAL REVOCABLE COMMITMENTS				

TOTAL GIFTS AND COMMITMENTS				
Total Categories A, B and C				

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