National Committee on Planned Giving®

Executive Summary: Guidelines for Reporting and Counting Charitable Gifts

2nd edition

Introduction

The full text of this revised and expanded edition of the NCPG Guidelines for Reporting and Counting Charitable Gifts will be available on the web in PDF format at:

www.ncpg.org/ethics_standards/ NCPG%20counting%20guidelines.pdf

Recommendations

Fundraising campaigns of whatever duration will 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 goal-defined campaign period (whether one or more years).
2. **Category B: An irrevocable deferred gift goal** for gifts committed during the goal-defined campaign period, but that may become 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 goal-defined campaign 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 the period, and the reporting of results during the period. In this way, organi-zations 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, 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 fundraising 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 method-ology 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 annual fundraising efforts and multi-year campaigns as they currently exist.

“Counting” is the process of comparing fundraising results to a set of goals, and in that context, charities should count a particular gift only once. If a gift changes character (e.g., is made irrevocable or matures to cash distribution) ***during the goal-defined campaign period***, that change will be reflected by moving the gift amount from one category to another.

If a gift changes character *from one goal-defined campaign period to another* it should not be counted again when it matures as a new gift. For example, abequest commitment that has been counted toward the goal for revocable deferred gifts in one campaign should not be counted again when it matures as a new gift in the outright category during a later campaign. These guidelines do allow organizations to "report" the maturation of commitments that have been counted toward goals for a previous campaign. These are not treated as *new* gifts, but are reported separately to articulate the total impact of the development effort on the organization.

Practical Considerations

These guidelines enable organizations to count and report *ALL* gifts and commitments.
A complete fundraising operation focuses offers many options to donors, including 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. 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.
"Counting" is an external process that should enable comparability across institutional lines. A 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.

These guidelines acknowledge the perspective of the donor.
Most donors focus more on the dollar value of their gift at the time they make it, rather than on the ultimate net present value to the charity. 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. With these guidelines, 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 will report a gift only once as a commitment to a specific goal-defined campaign. 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 goal-definied campaign. With these guidelines, 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.

Definitions

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.

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.

Endorsements

These guidelines are endorsed by the following organizations. Additional endorsements will be listed in the online edition of the Guidelines. If your organization would like to formally endorse the Guidelines, please contact Barbara Yeager.

Association of Philanthropic Counsel (www.apcinc.org)

National Capital Campaign Counting Guidelines Committee (gdgearh@uark.edu)

To learn more

If you have questions or comments about these guidelines, please contact:

Barbara Yeager
Director of Operations
National Committee on Planned Giving
233 McCrea St., Suite 400
Indianapolis, IN 46225
(317)269-6274
byeager@ncpg.org