Campaign Reporting Standards

Time Periods

Campaign Period: For purposes of these standards, the campaign period is the total time encompassed by the active solicitation period for the campaign, including the advance-gifts phase. CASE recommends that no campaign period exceed seven years in duration. Generally speaking, shorter campaign periods are preferable to longer ones.

Pledge-payment Period: The period in which donors may fulfill their pledges should not exceed five years.

Fundamental Principles of Campaign Counting

The following basic principles for counting campaign gifts apply to all institutions and all types of campaigns.

1. Only those gifts and pledges actually received or committed during the specific period of time identified for the campaign (a period up to seven years including the advance-gifts phase) should be counted in campaign totals.
2. The advance-gifts phase of a campaign is always a part of the designated campaign period, and commitments reported for this phase must actually have been received or pledged during this specified period within the campaign time frame.
3. Gifts and pledges may be counted to only one campaign.
4. The value of any cancelled or unfulfilled pledges must be subtracted from campaign totals when it is determined they will not be realized.

Advance-gifts (Nucleus-fund) Phase

The advance-gifts or nucleus-fund phase is that period of time before public announcement of the campaign, or the campaign's official goal, during which pace-setting gifts are sought from individuals and organizations closest to the institution. As indicated above, the advance-gifts phase should be considered a part of the campaign period. Defining the advance-gifts phase as part of the campaign period will also help ensure that so-called "reach-back" gifts are not counted.

It is preferable to limit credit for gifts received in the advance-gifts phase to those given for featured objectives, thereby strengthening the focus of campaign efforts and eventual results. Another approach is to have a comprehensive advance-gifts phase, during which *all* gifts and pledges are counted. If this approach is adopted, it is crucial

that campaign managers explain to institutional personnel and campaign volunteers that reported results will inflate somewhat the true impact of the campaign effort.

Whichever method is used, these key principles apply:

- The advance-gifts period should be limited to a set number of months or years.
- This period of time should be included as part of the total campaign duration.

What to Report

All gifts and pledges falling into categories covered by these standards may be reported. The spirit of these standards, however, is that it is never appropriate to report only one number when announcing campaign results. As a minimum, the following results should be reported to the institution's board and to CASE:

1. *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;
2. *the total of deferred (future) commitments, reported at face value,* which will be received at an undetermined time in the future;
3. *the total of deferred (future) commitments, discounted to present value,* which will be received at an undetermined time in the future:
4. the grand total of 1 and 2 above; and
5. the grand total of 1 and 3 above.

Additionally, totals for the campaign's featured objectives vs. other campaign objectives would be appropriate in most campaign reporting.

As noted earlier, institutions that believe publicly displaying the present value of deferred gifts will in fact discourage their donors from making such gifts may choose to report only the first two categories to their constituents, but should report *all* categories to their boards and in their reports to CASE.

Both campaign staff and counsel should take pains to ensure that campaign publicity clearly states the results of the campaign in accordance with these categorical standards.

When to Report Gifts

Outright gifts should be reported only when assets are transferred irrevocably to the institution or an institutionally related foundation. Deferred gifts should be reported only when assets are transferred or, in cases where no assets are transferred, when the donor consummates a legally binding deferred pledge agreement or other irrevocable document with the institution.

How to Report Gifts

The campaign report forms that appear at the end of this chapter serve as the basic tools for reporting campaign activity. Campaign Report I summarizes results by campaign objectives and sources, separates gifts and pledges (those to be received during the campaign solicitation period or the immediate post-campaign accounting period) from deferred gifts (commitments of funds to be received at some indeterminate time in the future), and records deferred gifts at both face value *and* present value.

Campaign Report II summarizes gifts, pledges, and deferred gift arrangements by type, according to when they will be received by the institution. This "cash flow" projection report is important to institutional budget planners and others interested in understanding the immediate and future impact of a campaign on the institution.

Pledges

Oral Pledges: Oral pledges should not be reported in campaign totals. On the rare occasion when special circumstances may warrant making an exception, the advancement officer should write to the individual making an oral pledge to document the commitment, place a copy of the written commitment in the donor's file, and gain specific written approval from a gift acceptance committee made up of institutional and volunteer representatives.

Pledges of Cash: Pledges of cash 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.

Testamentary Pledges and Deferred Pledge Agreements: Institutions that include these in campaign totals may do so only under certain conditions, which are defined in the section on Testamentary Pledges on page 59.

Exclusions

The following types of funds should be excluded from campaign report totals, even if received under circumstances indicating that the payor regarded them as a contribution:

- advertising revenue;
- alumni membership fees/dues;
- contract revenues, including sponsored research funds:
- contributed services;
- contributions from cities or regional governments, even though those entities may be incorporated;
- discounts on purchases;
- earned income, including transfer payments from medical or analogous practice plans;
- gifts or pledges, outright and deferred, that already have been counted in previous campaigns, even if realized during the campaign reporting period;
- governmental funds, whether local, state (including state matching grants), federal, or foreign;
- investment earnings on gifts, even if accrued during the campaign reporting period and even if required within the terms specified by the donor (the only exception being interest accumulations counted in guaranteed investment instruments that mature within the time frame of the campaign, such as zero coupon bonds);
- sale of merchandise;
- surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the IRS or Revenue Canada; and
- tuition payments.

It is recognized 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 channels for the implementation of public policy. While both philanthropy and public policy may be motivated by compassion for others, only philanthropy involves the disposition of privately held resources for the public good. *Governmental funds should not be reported in campaign totals.*

Standards for Reporting Certain Types of Gifts and Pledges

Cash: Report the amount of cash gifts as of the date they are received by the institution. For gifts denominated in foreign currencies, compute the value based on the exchange rate in effect on that date.

Marketable Securities: Count marketable securities at the average of the high and low quoted selling prices (or the average of the bid/ask in the case of certain securities) on the date the donor relinquished dominion and control of the assets in favor of the institution or trust. If the security was not traded on that date, use the date of the most recent sale. Neither losses nor gains realized by the institution's sale of the securities after their receipt, nor brokerage fees or other expenses associated with this transaction, should affect the value reported.

Exactly when a donor relinquishes dominion and control depends upon the method of delivery of the securities to the institution. These reporting standards do not address the multitude of tax rules regarding the delivery of securities. Still, as some guidance, the U.S. Internal Revenue Service (IRS) Publication 526, "Charitable Contributions," states: "The gift to a charity of a properly endorsed stock certificate is completed on the date of mailing or other delivery to the charity or to the charity's agent. However, if you give a stock certificate to your agent or to the issuing corporation for transfer to the name of the charity, your gift is not completed until the date the stock is transferred on the books of the corporation." Institutions should consult with their tax advisers regarding current tax laws.

Revenue Canada's administrative procedure stipulates that the closing market price on the date of the gift determines the fair market value of the gift.

Closely Held Stock: 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 stocks that are not publicly traded. (For a specific definition of "qualified independent appraiser," contact the IRS or Revenue Canada, as appropriate.) The institution may obtain the appraiser's valuation figure from IRS Form 8283, on which the donor must obtain the donee's signature for all such gifts.

Gifts of $10,000 or less may be valued at the per-share cash purchase price of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation. If no redemption is made during the campaign period, a gift of closely held stock may be credited to campaign totals at the value determined by qualified independent appraiser. For a gift of $10,000 or less, when no redemption has occurred during the campaign period, an independent certified public accountant (CPA) who maintains the books for a closely held corporation is deemed to be qualified to value the stock of that corporation.

Real and Personal Property and Gifts-in-kind: Gifts of real and personal property that qualify as a charitable deduction for a donor should be counted at the full fair market value regardless of the value the donor may be able to take as a charitable deduction. IRS requirements for gift substantiation note that the donor has the responsibility for valuing property for tax deduction purposes.

Caution should be exercised to ensure that only gifts that are convertible to cash or that are of actual value to the institution are included in campaign totals. Gifts with fair market values exceeding $5,000 should be counted at the values placed on them by qualified independent appraisers, as required by the IRS for valuing noncash 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 on the faculty or staff of the institution.

Gifts-in-kind are noncash donations of materials or long-lived assets. Gifts of materials or long-lived assets that serve the purpose of the institution should be reported at their face (fair market) value. Gifts-in-kind might include such items as equipment, software, printed materials, food or other items used for hosting dinners, etc. For items such as equipment and software, report the educational discount value–that is, the value the institution would have paid had it purchased the item outright from the vendor.

Report gifts of copyrights and ownership of gas or oil wells at the readily determinable face (fair market) value. Alternatively, if the fair market value is not known and cannot be readily determined, report the asset in the year the value becomes known. For gifts of royalties from gas and oil wells not owned by the institution, report the amount received each year.

In Canada, gifts of appreciated property are subject to capital gain. However, when the fair market value of a gift exceeds its adjusted cost base, donors of such capital property may, according to the federal Income Tax Act (in Quebec, the Quebec Taxation Act), choose to value such a gift at a value between its fair market value and adjusted cost base. In effect, this choice results in a tax receipt being issued for less than the fair market value of the gift. The institution would record the fair market value of the gift.

Also in Canada, if an appraisal is needed and if the fair market value of the gift is $1,000 or less, such appraisal can be provided by a qualified staff member of the institution receiving the gift. For further guidance on appraisals, gifts-in-kind, gifts of listed personal property, and gifts of certified cultural property, see Revenue Canada's publication "Gifts and Income Tax," P113 Rev. 94.

Charitable Remainder Trusts 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 and contributions to pooled income funds should be credited to the "deferred gifts (future commitments)" section of campaign totals at both the discounted present value of the remainder interest allowable as a deduction by the *Internal Revenue Code* (see Campaign Report I, Column III) and at face value (see Column II).

The premise underlying the discounting to present value of gifts of a future interest is that the present value of a future interest is less than the face (fair market) value of the assets at the time the gift commitment is made. (See Appendix B for a discussion of present value of gifts.)

In Canada, credit such gifts at the amount eligible to be used in the individual's tax credit calculation and at the face (fair market) value.

Note: Details of all charitable remainder trust gifts may not be available to the institution, and thus verification that the institution irrevocably is the charitable remainder beneficiary will not always be possible. Nonetheless, the charitable remainder beneficiary designation must be irrevocable, and verified as such, in order to be counted in fund-raising totals.

Charitable Gift Annuities: In the charitable gift annuity transaction, a person irrevocably transfers to an institution some property, such as securities, and the institution agrees in a contract to pay the donor or other beneficiaries a guaranteed annuity for life. Because the transferred property has a value larger than the value of the annuity, the transaction is in part the purchase of an annuity from the institution and in part a gift to the institution.

Because the institution will not receive the gift portion until the death of the final income beneficiary, report gift annuities as deferred gifts (future commitments) in fund-raising reports. The face amount transferred should be reported in Campaign Report I, Column II, and the amount allowable as a deduction under the *U.S. Internal Revenue Code* (the face value minus the present value of the annuity) should be reported in Column III.

In Canada, the amount recorded on the individual's tax receipt—to be used in the calculation of the individual's tax credit and to be reported by the institution in the present value column under deferred gifts—would be the purchase price of the annuity less the expected return (life expectancy multiplied by the annual income). For further guidance, see Revenue Canada's "Interpretation Bulletin IT-111R2—Annuities Purchased from Charitable Organizations."

Remainder Interest in a Residence or Farm: A gift of a remainder interest in a personal residence or farm should be credited in the "deferred gifts (future commitments)" section of campaign totals at both the remainder value recognized as an allowable deduction by the IRS and at the face value.

In Canada, donors may make a gift of a residual interest in real properly or an equitable interest in a trust (either real or personal property). Such gifts should be credited in the deferred gifts (future commitments) section at both the residual (present) value recognized as eligible to be used in the calculation of the individual's tax credit and at the face (fair market) value. For further guidance, see Revenue Canada's "1nterpretation Bulletin IT-226R—Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust."

Charitable Lead Trusts: Because charitable lead trusts are not deferred gifts, but are immediate gifts in trust that pay over a period of time, the calculation of face and present values is slightly different than for a charitable remainder trust or a pooled income fund. For lead trusts whose terms extend five years or less, the face value as described in this section may be reported under the "current gifts and pledges" section of campaign totals.

For charitable lead trusts that extend beyond five years, the institution should report amounts beyond the first five-year "gifts and pledges" value both at *remaining* face value of the income stream in Column II and at discounted present value of the *remaining* income stream in Column III.

For this purpose, face value of the charitable lead annuity trust is the aggregate of annuity dollars to be received by the institution for the term of the charitable lead annuity trust. *Remaining* face value is the aggregate of annuity dollars to be received for all years beyond the first five-year pledge period.

The face value of the lead unitrust is more difficult to ascertain because the trust value for each year of the trust term is an unknown; thus, the total amount to be received by the institution is also unknown. A credible estimate of the total income to be received from a charitable lead unitrust should be made using as the trust's earnings the Applicable Federal Rate (AFR) for the month in which the trust was funded. Use of the AFR for estimating lead unitrust earnings (and therefor trust values) is consistent with reporting for remainder trusts and will obviate arbitrary selection of assumed earnings rates among institutions.

Thus, the trust's yearly values will be deemed to grow or shrink over the years of the trust term depending on the relationship of the trust to the institution as compared to the AFR. Then, based on trust values, trust payouts to the institution can be estimated. The aggregate of payouts is, for this purpose, the face value. *Remaining* face value is the total amount to be received for all years beyond the first five-year pledge period. This latter amount is reported in Column II.

Discounted present value for both types of lead trusts should be the amount allowable as a deduction (for either income or gift/estate tax purposes). To calculate the *remaining* discounted present value for the trust term beyond the five-year pledge reporting period, use the present value of the full-trust term minus the present value of the five-year term.

This will require two separate present value calculations, one for the full-trust term and the other as if the lead trust were to run only for five years. Subtract the five-year discounted value from the discounted value of the full term to find the *remaining* discounted value of the trust term beyond the five-year pledge period. This *remaining* present value is reported in Column III.

Any of the deduction calculation software programs on the market is capable of performing these calculations.

Wholly Charitable Trusts Administered by Others: A wholly charitable trust is one that is held for the 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 free-standing entity.

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 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.

The amount to be reported in the case where less than the entire income of the trust is to be distributed to the institution is the amount of 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 is thereafter treated as endowment income and does not appear in the amounts reported under gifts.

Grants and Contracts: Reports should include grant income from private, nongovernment sources but should *not* include contract revenue. The difference between a private grant and a contract depends on the intention of the awarding agency and the legal obligation incurred by an institution in accepting the award. A grant, like a gift, is donative in nature; it is bestowed voluntarily and without expectation of any tangible compensation. A contract carries an explicit quid pro quo relationship between the source and the institution. Government grants and other awards—whether local, state (including state matching grants), federal, or foreign—should be excluded. For further help in distinguishing between contracts and contributions, see Appendix D.

Testamentary Pledge Commitments: The decision to include or exclude testamentary pledges in campaign totals is left up to each institution. For some institutions and for certain types of donors and circumstances, counting testamentary pledge commitments may be appropriate. For others, depending on institutional history and campaign objectives, the practice would not be acceptable. *If* the decision is made to include testamentary commitments in campaign totals, however, the following standards for handling such commitments should be followed.

Institutions choosing to include testamentary pledge commitments in campaign totals should satisfy the following three requirements:

1. The commitment must have a specified amount or percentage of the estate stated in the will based on a credible estimate of the future value of the estate at the time the commitment is made.

   Note: Fund-raising practitioners will appreciate that there is no single or simple way to estimate the future value of an estate commitment. For this reason many institutions have chosen to exclude testamentary pledges entirely from campaign totals. Nevertheless, others feel that testamentary gifts should be included in

campaign reports, especially since these often are part of a total campaign commitment being made by a donor. The key to making the decision about whether these types of gifts should be given campaign credit is often the determination of future value of the estate. At best, this requires a judgment call to be made by the institution after conversation with the donor and his/ her adviser.

2. They must have verification of the commitment in *one* of the following forms:

   a. a letter from the donor or the donor's attorney affirming the commitment and stating that the institution will be informed of any changes in the will that might be made in the future: *or,*

   b. bearing in mind that in some states the following options have not been legally affirmed, the commitment could be accompanied either by a deferred-pledge agreement or a contract to make a will (see below and Appendices F and G; specific legal instruments vary from state to state):

   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 (see Appendix F for sample).

   Contract to Make a Will. A contract to make a will is a legally binding document, also tested in the courts of several states, that places an obligation on the donor to make a will that transfers certain assets or a certain percentage of his or her estate to the institution. This instrument is used when the donor cannot (or does not wish to) specify the precise dollar amount he or she will contribute. Instead, the donor promises to execute a valid will wherein he or she designates a certain item of property or a portion of his or her estate to the institution. Often, this portion is stated as a percentage of the residue of the estate. After the contract is signed, no changes may be made in the donor's will that would decrease the institution's originally specified share, except as agreed upon in advance by the donor and the institution (see Appendix G for sample).

3. The amount specified or estimated should be reported at both the discounted present value and at face value in the "deferred gifts (future commitments)" portion of campaign reports (see Appendix B).

Further, institutions choosing to report testamentary pledge commitments are strongly urged to investigate carefully the actual circumstances underlying the estate and err on the side of conservatism 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 institution, then the commitment should be further adjusted according to specific circumstances, or not reported at all.*

Realized Testamentary Gifts: All bequests realized during the defined duration of the campaign should be counted at full value in campaign totals so long as no gift amount was counted in a previous campaign.

Life Insurance: Institutions may or may not wish to include commitments of life insurance in campaign totals. *If* gifts of life insurance are to be included, the institution should be made the owner and irrevocable beneficiary of the policies, with the exception of realized death benefits.

- *Paid-up Life Insurance Policies*: Paid-up life insurance policies may be counted in one of two ways:
  1. the cash surrender value, counted as a current outright gift (Column I); or
  2. the death benefit value, counted at both the face value and the discounted present value (Column II and III).

  Each institution should decide, in advance of its campaign, which of the two methods will be used to count gifts of paid-up life insurance policies and then use that method exclusively for the duration of the campaign.

  Cautionary note: Caution should be exercised in valuing such commitments for the "deferred gifts (future commitments)" section of campaign totals, because life insurance policies may not actually be worth the full stated value of the insured amount. For example, the cash value may have been borrowed against, or the insurance company itself may have invaded cash value to meet missed premium payments. In such cases, loans would have to be repaid from any death benefit proceeds due to the beneficiary. Certain policies may also contain a provision wherein the insured amount is decreased significantly after a certain age has been attained. In all such cases, the *lesser* amount should be used to calculate the present value to be credited to the campaign.
- *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 period of the campaign, should be counted at the existing cash value in the gifts and pledges section, Column I, in campaign totals. In addition, where the payment of premiums is pledged over a five-year pledge period, the incremental increase of the cash value should be counted in the gifts and pledges section, Column I.
- *New Policies:* The cash surrender value of premiums paid (or pledged over a five-year period) on policies for which donors apply and contribute to the institution during the period of the campaign should be counted in the current gifts and pledges section in campaign totals.
- *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, provided no gift amount was counted in a previous campaign.

Special Circumstances

If a deferred gift by bequest, life insurance, trust, or gift annuity has been counted for the campaign as a future commitment in Columns II and III and the life income recipient (for gift annuities, pooled-income funds, and charitable remainder trusts), the insured (on a life insurance policy), or the testator (of a bequest) dies within a five-year reporting period for the campaign, resulting in the institution receiving the gift in full, the institution may revise its crediting of the gift to reflect that the gift is fully paid during the allowable five-year period by deleting it from "deferred gifts (future commitments)." Columns II and III, and replacing the full value in "current gifts and pledges," Column I. This is to reflect consistency in reporting these receipts with gifts and pledges paid during a five-year reporting period.