

Building donor relationships



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**FORMS**

Gift Counting and Recognition Policy Summary

PGB2-0501

WEEK 5

Counting and Recognizing Gifts

|  |  |
| --- | --- |
| **BACKGROUND** | The Importance of Policies |
|  | Standards Development |
|  | Implementing a Gift Counting and Recognition Policy |
|  | Ensuring Complete Transparency for Donors |
| **PROJECTS** | Draft Your Gift Counting and Recognition Policy |
|  | Create Your Planned Giving Tracking Reports |
| **DOCUMENTS** | PGB2-0501 – Gift Counting and Recognition Policy Summary |
|  | PGB2-0502 – Planned Gifts Tracking Reports Template |

**Time required:** 1 hour

**What it covers:** Policy for counting and recognizing all gifts, including planned gifts, to ensure consistency in reporting and compliance with national standards.

**Why:** Planned gifts often do not mature until the future, and without a carefully thought counting and recognition policy, not only will your charity struggle to quantify gift commitments, it will also be more likely to offend well-meaning donors.

**How to get it:** [www.PlannedGivinginaBox.Com/PGB2-0501](http://www.plannedgivinginabox.com/PGB2-0501)

[www.PlannedGivinginaBox.Com/PGB2-0502](http://www.PlannedGivinginaBox.Com/PGB2-0502)

BACKGROUND

Gift counting and recognition are hot button issues for charities. Too often, charities ignore this important area until faced with a donor who wants far more recognition than the gift deserves. Without a *formal* policy, the organization has no leg to stand on and usually grants the donor’s request, even though it is not in the best interest of the organization. Worse still, other donors see that example and then ask for similar treatment, leading to bad counting, bad naming and charities overstating their fundraising results.

To combat bad naming and recognition policies, the **Council for Advancement and Support of Education (CASE)** and the **Partnership for Philanthropic Planning (PPP)** each created **gift counting standards** for outright and planned gifts. These national organizations worked long and hard to put together their policies, but could not agree in every detail about how counting and recognition should work.

Included as [www.PlannedGivinginaBox.Com/PGB2-0501](http://www.plannedgivinginabox.com/PGB2-0501) is a sample gift counting and recognition policy summary which combines the best of these two standards into an eight-page policy document which you can adapt for your charity. The combined strategy calls for your charity to cease counting and recognizing all dollars raised in a single category. Instead, it implements a program which has your charity count **three separate numbers** which should not be added together. They are:

1. **Category A** – **Outright Gifts:** The total of outright gifts and pledges received, reported at face value.
2. **Category B** – **Irrevocable Deferred Gifts:** The total of irrevocable deferred commitments, which will be received at an undetermined time in the future, reported at face value.
3. **Category C** – **Revocable Gifts:** The total of revocable deferred commitments, which may be received at an undetermined time in the future, reported at estimated current value.

Using this methodology, your charity has **complete transparency** for your donors.

All gifts are “counted” and “recognized” at face value, regardless of the type of gift, the date of maturity, or even the likelihood of maturity. However, everyone knows that Category A gifts are current gifts for certain now, Category B gifts are future gifts for certain at an unknown time in the future, and Category C gifts are future gifts for an uncertain amount and time in the future.

No longer will your charity have to worry about showing someone who has named you as the beneficiary on a $1 million face term life insurance policy as a $1 million donor. Instead, that donor is placed in Category C, so your charity is not depending on a gift which is not likely to ever mature to your benefit.

PROJECTS

**Project 7: Draft Your Gift Counting and Recognition Policy**

* Download the gift counting and recognition policy template at: [www.PlannedGivinginaBox.Com/PGB2-0501](http://www.plannedgivinginabox.com/PGB2-0501).
* Review the template with your internal staff leadership.
* Customize the policy to meet your organizational goals and objectives.
* Please insert the name of your charity *only* at the very beginning of the document where indicated by **[YOUR CHARITY]**. Note that the “YOUR CHARITY” (no bold, no brackets) designation used in the rest of the policy summary is intended as a generic reference and is *not* to be replaced with the name of your organization.
* Share the draft with your volunteer committee for their feedback.
* Present the draft for approval by your Board.
* Add the final policy to the documents you share on Board member visits.

**Project 8: Create Your Planned Gift Tracking Reports**

With your counting and recognition policies in place, you will now need to create new tracking reports to account for these three different categories of gifts. Keep in mind that the templates assume that your charity will eventually offer the full range of planned giving options to your donors. This means that there are many categories, probably more than you will use at first. However, by adopting the template reports, you’ll be ready when your program continues to grow in year two and beyond.

To create your reports:

* Download the planned gifts tracking reports template at: [www.PlannedGivinginaBox.Com/PGB2-0502](http://www.plannedgivinginabox.com/PGB2-0502).
* Review the template with your internal staff leadership
* Customize the policy to meet your organizational goals and objectives, working in collaboration with your advancement services director or your database provider
* Please note than in the PGB2-0502 five-year reports we have included the different **tenders** (in the gift structure report) and the different **structures** (in the gift tender report) in the far right column *simply as a reminder* for your convenience. You DO NOT want to print out those columns in your reports.
* Share the draft with your volunteer committee for their feedback
* Add the final report to the documents you share on Board member visits

There are both multi-year and detailed reports for tracking gifts by tender type and by gift structure. Once the reports are created, you can use them to track all of your gifts, including outright gifts, planned gifts, and expectancies.

DOCUMENT PGB2-0501

Gift Counting and Recognition Policy Summary

**Gift Counting and Recognition Policy Summary**

**[YOUR CHARITY]** (hereinafter “YOUR CHARITY”) has adopted the Council for Advancement and Support of Education (CASE) gift counting standards for counting outright gifts and the Partnership for Philanthropic Planning (PPP) gift counting standards for counting planned gifts.

For complete details, please refer to the YOUR CHARITY Gift Acceptance Policy, <http://www.pppnet.org/pdf/NCPG-counting-guidelines-(rev-2008).pdf>, and the *CASE Reporting Standards and Management Guidelines, 4th Edition.*

Gift counting and reporting applies to all gifts generally and for fundraising campaigns. Recognition or crediting does not stem from any of the factors of counting and reporting, although YOUR CHARITY generally uses its gift counting amount as the basis for gift recognition.

In some cases, however, YOUR CHARITY will recognize a gift for an amount other than the counting amount. For example, if John and Susan Jones, husband and wife, each give YOUR CHARITY $500,000, we may recognize them both as $1,000,000 donors because their joint giving totals this amount.

Similarly, YOUR CHARITY gives a donor “soft-credit” for recognition purposes when a corporate matching gift is received as a result of the donor making his or her own contribution. Because gift recognition is fundamentally different than gift counting and reporting, it is covered in Section IX of YOUR CHARITY’s Gift Acceptance Policy.

**GIFT COUNTING AND REPORTING**

The CASE Reporting Standards suggest that charities report two numbers for their fundraising results.

* The first number is the total of outrights gifts and pledges received, reported at face value.
* The second number is the total of irrevocable deferred commitments, reported at face and present value, using the IRS income tax charitable deduction as a proxy for a true present value calculation.
* Revocable deferred commitments are not reported.

YOUR CHARITY recognizes that these standards substantially under report the value of both irrevocable and revocable deferred commitments, thereby making them less attractive to prospective donors, even though they are potentially the largest gifts many prospects can make.

These standards also make it difficult, when reviewing a gift report, particularly during a campaign, to determine which funds are available now, which funds will not be accessible until the future, and which funds may not be received at all.

Finally, such standards create an incentive for gift officers to solicit outright gifts when a future gift may better serve both the donor and YOUR CHARITY. With this in mind, YOUR CHARITY has adopted the PPP gift counting standards for both irrevocable and revocable deferred commitments, or what YOUR CHARITY calls “future gifts.”

Under its gift acceptance policy, YOUR CHARITY adheres to the following gift reporting standards:

**Three Separate Reporting Numbers**

1. **Category A** – **Outright Gifts:** The total of outright gifts and pledges received, reported at face value.
2. **Category B** – **Irrevocable Deferred Gifts:** The total of irrevocable deferred commitments, which will be received at an undetermined time in the future, reported at face value.
3. **Category C** – **Revocable Gifts:** The total of revocable deferred commitments, which may be received at an undetermined time in the future, reported at estimated current value.

**When to Report Gifts:** Outright gifts are reported only when assets are transferred irrevocably to YOUR CHARITY or a gift intention is executed. 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 YOUR CHARITY.

**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 add all three categories together and report only one number when announcing gift results.

**CATEGORY A: OUTRIGHT GIFTS**

1. **Definition:** Gifts that are usable or will become usable for institutional purposes including:
   1. Cash
   2. Marketable securities
   3. Other current gifts of non-cash assets
   4. Irrevocable pledges collectible during the reporting period (five years or the campaign period, whichever is greater)
   5. The gift portion of bargain sales
   6. Lead trust distributions received during the reporting period (five years or the campaign period, whichever is greater)
   7. Cash value of life insurance owned by YOUR CHARITY (net of policy loans)
   8. Realized life insurance or retirement plan benefits in excess of the amounts previously counted
   9. Realized bequests in excess of the amounts previously counted
2. **Statement of Intent:** Statements of Intent are counted upon receipt of the written intention, provided the intention is in accord with these guidelines.
   1. **Intentions to Make Outright Gifts:** Such intentions should be written and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The payment period, regardless of when the intention is made, should not exceed five years. Therefore, an intention received even on the last day of a campaign is counted in campaign totals and may be paid over a five-year period.
   2. **Oral Statements of Intent:** Oral intentions should not be reported in giving or campaign totals. On the rare occasion when an exception is warranted, YOUR CHARITY 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 Gift Acceptance Committee.
3. **Guidelines for Reporting Specific Types of Assets**
   1. **Cash:** Report cash at full value as of the date received by YOUR CHARITY.
   2. **Marketable Securities:** Marketable securities should be counted according the IRS standards then in effect for gifts of this type. The current standard values a gift of marketable securities 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 YOUR CHARITY). 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 YOUR CHARITY. These reporting standards do not address the multitude of tax rules regarding the delivery of securities by the donor to YOUR CHARITY.
   3. **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 gift or 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.
   4. **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 YOUR CHARITY are counted. Mega gifts of software and hardware may require special care. These types of gifts can be especially complex, and YOUR CHARITY should exercise extreme caution in counting these gifts in gift totals. Gifts with fair market value exceeding $5,000 should be counted at the value placed on them by a 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.
   5. **Non-governmental Grants and** **Contracts:** Grant income from private, non-governmental 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 YOUR CHARITY 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 YOUR CHARITY.
   6. **Realized Testamentary Gifts:** All realized bequests should be counted at full value in gift totals, insofar as the amount received exceeds commitments counted previously. If a revocable testamentary commitment made during a current counting period and counted in Category C matures during the same counting period, it should be removed from Category C and included as an outright gift in Category A.
   7. **Realized Retirement Plan Assets:** All realized gifts of retirement plan assets should be counted at full face value in gift totals to the extent the gift was not counted previously.
4. **Gifts in Contemplation of a Campaign:** From time to time, YOUR CHARITY will engage in comprehensive and targeted fundraising campaigns. It is often the case that certain prospects, to meet their own personal planning objectives or to help YOUR CHARITY launch the initiative, will make gifts before the official “start date” of the campaign, in contemplation of the fundraising effort. In such cases, the Gift Acceptance Committee shall make a recommendation of all gifts which should be counted and reported in the campaign, even though such gifts were received prior to the official start date of the campaign.

**CATEGORY B: IRREVOCABLE DEFERRED GIFTS**

1. **Definition:** Gifts committed during the reporting period, but likely usable by the organization only at some point after the end of the period, including:
   1. **Split Interest Gifts** such as charitable gift annuities, pooled income funds and charitable remainder trusts in which the beneficiary designation is irrevocable
   2. **Gifts of a Remainder Interest in a Personal Residence or Farm with a Retained Life Estate**
   3. **Death Benefit of Paid up Life Insurance** in which the charity is both owner and beneficiary
   4. **Irrevocable Testamentary Pledges** or C**ontract to Make a Will**
   5. **Lead Trust Distributions** to be made after the reporting period
2. **Charitable Remainder Trusts, Pooled Income Funds and Gift Annuities:** Gifts made to establish charitable remainder trusts for which the remainder is not subject to change or revocation, pooled income fund gifts and gifts to fund charitable gift annuities should be counted at face value. When additions are made to gifts that have been counted previously, the additions can be counted at face value. Counting deferred gifts at face value meets several critical needs. First, in a donor-centered environment, the donor is getting gift credit for the amount of assets actually transferred to fund a life-income gift. While these assets may be worth less to YOUR CHARITY due to the income interest retained by the donor, the donor likely feels like he/she has made a gift of the face value amount. Second, by counting such gifts at face value, it creates an incentive for the fundraisers to use a donor-centered approach in their donor work. If the fundraiser were to only receive credit for the net present value of a gift, the fundraiser might push a donor to an alternative gift option that gave the fundraiser more credit, but did not meet the needs of the donor. By counting at face value, the interests of the donor remain paramount.
3. **Remainder Interest in a Personal 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 of the remainder interest.
4. **Charitable Lead Trusts:** Charitable lead trusts are gifts in trust that pay an income to YOUR CHARITY over a period of time. These payments should be counted in Category A for amounts received during the campaign period (or during the next five year period if not in a campaign). The remainder of the payments to be received by YOUR CHARITY should be counted in Category B.

**CATEGORY C: REVOCABLE DEFERRED GIFTS**

1. **Definition:** Gifts solicited and committed during the reporting period, but for which the donor retains the right to change the commitment and/or beneficiary including:
   1. **Estate Provisions**, either from a will or a living trust.
   2. **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 previously, the additions can be counted in the current reporting period.
   3. **IRAs or Other Retirement Plan Assets** in which YOUR CHARITY’s interest remains revocable by the donor.
   4. **Life Insurance in which the Donor** **Retains Ownership** (face value less any policy loans) and in which YOUR CHARITY is owner but premiums remain due.
   5. **Other Revocable Pledges**
2. **Uncertainty of Revocable Commitments:** It is difficult to put specific numbers on certain revocable commitments when the ultimate maturation value is uncertain, or if it is uncertain that the gift will mature to YOUR CHARITY at all. Examples include YOUR CHARITY being named the beneficiary of a trust to which another person retains access to principal; or a contingent bequest that relies upon another person pre-deceasing the donor in order for any funds to come to YOUR CHARITY. The numbers reported in Category C should be best estimates and reflect both a conservative and realistic understanding of each donor’s circumstances. If the commitment is difficult to value or will likely be nominal, it should be counted in Category C at $1. If the gift matures at a date in the future, the full value can then be counted in Category A.
3. **Estate Provisions:** To include estate provisions in giving totals, the following requirements must be satisfied:
   1. The commitment should specify an amount to be distributed to YOUR CHARITY 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. If a credible estimate is not possible, then YOUR CHARITY shall use a rolling five year average of all bequests received. Until a five-year average can be calculated, an estimated value of $50,000 shall be utilized. (Note that for the top 100 planned giving programs in the United States, the average bequest is approximately $240,000 according to a study by *Changing Our World,* completed in 2008.)
   2. 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 YOUR CHARITY, signed by donor or advisor
      4. Charitable/Deferred Pledge Agreement. A deferred pledge agreement is a legally binding document that places an obligation on the estate of the issuer to transfer a certain amount to YOUR CHARITY. Under such an agreement, the executor of the donor’s estate is held legally responsible for payment of the specified amount from the estate.
   3. YOUR CHARITY will carefully investigate the actual circumstances underlying the estate and be conservative in counting such commitments toward gift totals. If any circumstances should make it unlikely that the amount pledged by bequest will actually be realized by YOUR CHARITY, then the commitment should be further adjusted according to specific circumstances, or reported at $1.
4. **Retirement Plan Assets:** YOUR CHARITY may be named as the beneficiary of retirement plan assets. A testamentary pledge of retirement plan assets shall be included in gift totals if the following requirements have been satisfied:
   1. There must be a means **t**o establish a credible estimate of the value of the retirement plan account at the time the commitment is made. If a credible estimate is not possible, then YOUR CHARITY shall use a rolling five year average of all bequests received. Until a five-year average can be calculated, an estimated value of $50,000 shall be utilized.
      1. Have verification of the commitment in the form of a letter from the donor or the donor’s advisor affirming the commitment.
      2. YOUR CHARITY will carefully investigate the actual circumstances underlying the plan and be conservative in counting such commitments toward gift totals. If any circumstances should make it unlikely that the amount pledged will actually be realized by YOUR CHARITY, then the commitment should be further adjusted according to specific circumstances, or reported at $1.

**GIFTS THAT MAY BE COUNTED IN MORE THAN ONE CATEGORY, DEPENDING ON THE CIRCUMSTANCES**

1. **Life Insurance:** To include commitments of life insurance in gift totals, the following requirements must be satisfied
   1. **Ownership:**
      1. YOUR CHARITY 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 YOUR CHARITY 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 YOUR CHARITY is the owner of the policy.
   2. **Paid-up Life Insurance Policies:** Counted at face value in Category B.
   3. **Existing Policies/Not Fully Paid-up:** A life insurance policy that is not fully paid up on the date of contribution, should be counted at face value only in Category C.
   4. **New Policies:** Face amount of these policies should be counted in Category C.
   5. **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 YOUR CHARITY or not, should be counted in gift totals, less amounts previously counted in former campaigns.
2. **Wholly Charitable Trusts Administered by** **Others:**
   1. A wholly charitable trust is one that is held for the irrevocable benefit of YOUR CHARITY, where the principal is invested and the income is distributed to YOUR CHARITY. 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.
   2. 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 gift totals, for the year in which the trust is established, provided that YOUR CHARITY 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.
   3. In cases where less than the entire income of the trust is to be distributed YOUR CHARITY, the amount to be reported is the income to be distributed to YOUR CHARITY 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.
   4. **Community and Private Foundations:** Gifts to **community foundations**, the income from which is irrevocably designated, in whole or in part, to YOUR CHARITY, and **private foundations** established solely to benefit YOUR CHARITY or where YOUR CHARITY is to receive a specified percentage of the annual income each year, are two examples of wholly charitable trusts administered by others. (Gift 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 and given recognition credit.)
   5. **Donor-Advised Funds (DAFs):** 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. Gifts from DAFs will be counted like any other gift as received. If YOUR CHARITY 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.

**GIFTS THAT CHANGE CHARACTER DURING A COUNTING OR CAMPAIGN PERIOD**

1. All campaigns face the dilemma of reportingcommitments that change character during thecampaign period. 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. 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, the cumulative campaign report will recognize the gift only in Category A, and any previous interim report of the gift in Categories B or C is deleted. The annual report would note this change as well.
   1. Example: 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.
   2. Example: YOUR CHARITY is named as the payment beneficiary of a 20-year charitable lead trust paying $10,000 per year ($200,000 in total) in the first year of a seven-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 seven years) will report $70,000 in Category A (the amount committed and to be received during the campaign period) and $130,000 in Category B. In years two through seven, 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.