

I. Introduction

FASB and CASE rules change periodically. The former National Committee on Planned Giving (NCPG – now the “Partnership for Philanthropic Planning”) and the National Association of College and University Business Officers (NACUBO) often offer differing opinions. Non-profit CFOs each have their own accounting requirements. Auditors are required to apply objective standards in an arena filled with subjectivity. And senior development officers are under pressure to report the largest results within reason.

A constantly moving landscape in which one factor remains constant: major philanthropic gifts are motivated by *relationships*. Counting, reporting, tax deductions and campaign goals must be molded to meet this one objective: to make the donor feel good about the gift.

II. “You can have anything you want. You can’t have everything you want.”

What does the not-for-profit CEO want from Planned Gifts?

- A balanced budget
 - How long can she/he wait?
- Revenue to fuel a strategic plan
 - Maybe the “next” strategic plan!
- Unrestricted income
 - Is unrestricted *endowment* just as good?
- Immediate income
 - Too bad! (Where was *the last* CEO?)

What does the not-for-profit Board of Trustees want?

- To be solicited as infrequently as possible (no nickels and dimes)
 - The estate plan is usually a once-in-a-lifetime ask
- Simplicity
 - “You’re in my will.”
- Maximum recognition
 - The big dilemma!

- To feel good about their gift
 - Absolutely!

What does the not-for-profit CFO want?

- Reduced liabilities
 - Oh Oh. Hide the CGA
- Flexible cash-flow
 - Maybe in 30 years
- A clean audit report
 - We can do that!
- Consistency from development
 - It depends on what you mean by *consistency*!

What does the program staff (faculty/physician/social-worker/musician) want?

- Cash for enhanced deliverables
 - Not from Planned Gifts!
- New cash not replacement cash
 - OK. But have patience.
- Incentive compensation
 - Not likely!
- Someone else to ask
 - Bingo! That's us!

What does the not-for-profit SDO want?

- To set reasonable goals
 - Gift agreements not cash
- To meet goals
 - So let's be reasonable. Who knows when the donor will die?
- To "count" everything
 - A clear trend
- To look good in comparison to benchmark institutions
 - Well, *they* count everything!
- To enhance his/her resume
 - Too much turnover. Planned giving is based on *relationships*!

What does the IRS want?

- To encourage philanthropy
- To get the maximum tax revenue
- To police adherence to tax law

III. What does the donor want from Planned Giving?

- To *do* good
 - The Planned Gift is often the easiest way to *look* good
- To make a difference
 - Our message confirms that Planned Giving matters!
- To be associated with a worthy/successful project/people
 - Just look at the plaques
- To say Yes
 - Without breaking the bank
- To protect principle
 - We're just living too long!
- To leave a legacy
 - Bingo (again)!

IV. Recognition (not booking) Discussion

- Donor A is 70 years old and writes a check for \$1 million and receives a naming opportunity valued at \$1 million
- Donor B is 70 years old writes a check for \$500,000 and does a CRT or CGA for \$500,000. What recognition should he get?
- Donor C is 70 years old and provides you with a copy of his will, and a contract to make the will binding, leaving you a \$1 million bequest. What recognition should he get?

V. Summary of Best Practices from recent regulations

- Non-profits must update booking/recognition policies
 - each time there is a major change in tax law or professional guidelines
 - each time there is a major campaign;
 - at least every 3 years.
- Institutions must select one set of guidelines and be consistent; no agency can adhere to all guidelines
- Each gift must be evaluated objectively/consistently to measure cost and benefit to the non-profit
 - Term of the gift
 - Investment return
 - Expenses
 - Payout rates
- Each gift must be evaluated subjectively to determine current/future impact to the non-profit:
 - What does the donor want
 - Will there be another/larger gift in the future if we do this right
 - What is the risk (financial/personal) of bending the rules
- Recommended payouts from a CGA are recommendations; non-profits must negotiate with the donor to secure the best return to the non-profit.

- More non-profits are counting/booking revocable gifts
 - Rationale?
 - Risk?
 - Value?
- Caution: avoid the shopper. Charitable intent is the overarching principle.

VI. Discussion