

Creative Math Makes Final Tally for Capital Campaigns Hard to Pin Down

Nonprofits need to make a strong case for why donors should support their cause instead of worrying about how many other groups are asking those donors for money, says Rebecca Newman of the Salk Institute for Biological Studies.

By Debra E. Blum

What do all the ambitious capital-campaign goals announced in the past few months really add up to for charity?

It's not as easy to tell as it might seem.

The kinds of gifts that charities count in their drives and how and when they count them can mean huge swings in the total a campaign appears to earn. And since nonprofits use a variety of counting methods and reporting policies, understanding just how much money a charity drive raises can be difficult. Comparing totals among campaigns at different nonprofits is even harder.

The confusion can have significant consequences.

Charity officials and their governing boards running a campaign need to know how much cash they will have in hand for budgeting and planning purposes. Donors want to know how their gifts will be counted and acknowledged. And plenty of observers want to see how different charity drives stack up.

Fundraisers have long debated what should be counted—and what not—in campaign totals. Over the years, professional associations, like the Council for Advancement and Support of Education and the Partnership for Philanthropic Planning, have issued guidelines intended to promote transparency and consistency.

Still, gift-tallying practices vary widely.

Scott Nichols, senior vice president for development and alumni relations at Boston University, says many groups have exploited the lax standards, choosing what he calls the kitchen-sink approach to meet campaign goals that would otherwise be unrealistically high.

"Everyone wants the biggest, baddest campaign number, so they won't just count what is reasonable to count, they'll throw absolutely everything in," he says. Among the sketchy donations that get counted: pledges a donor can revoke; deferred gifts counted at face value even though the charity won't receive them for decades; patent licenses and other uncertain in-kind gifts; verbal pledges; and bequest pledges that were included in prior campaigns.

Self-Monitoring

What's needed, Mr. Nichols and other fundraising experts say, is more self-policing; better adherence to national guidelines, like those promoted by CASE; and closer oversight of campaign accounting by governing boards and a charity's financial staff.

"The CFO is the one who is going to need to see the money, so it makes sense that the CFO should get more involved in the campaign to make sure that what is being counted is real," Mr. Nichols says.

Robert Sharpe, a Memphis fundraising consultant, agrees that everyone needs to be on the same page. And while consistency at every nonprofit would be preferable, at the least, he says, each organization running a campaign should come up with a set of clear, consistent, and well-articulated rules in advance.

"Policies and practices need to be thought out and laid out internally and externally so that everyone knows what to expect, knows what the numbers mean."

Questions to Consider

Here are some questions experts say charities should ask and answer before they start a drive:

What types of gifts will be included?

Does every donation made during the campaign get counted toward the total? How about gifts to the annual fund? Donated products and services? Are bequests counted? If so, is there a minimum age for the donor? Is a 60-year-old donor's promise to make a bequest treated the same as a pledge from a supporter in her 80s?

How will deferred gifts be handled?

Will deferred gifts be counted at face value or at present value, which is the estimated worth at the time they are likely to make it into a charity's coffers? What factors, like the donor's age or the earnings a supporter gets from a charitable annuity or remainder trust, are to be taken into account when valuing a gift? Do nonprofits build in a figure to take into account the fact that some donors may change their minds after promising to put a gift in their wills? How will gifts be acknowledged and honored? Will a 55-year-old donor who promises to leave \$1-million in his estate be given the same status as an 85-year-old who makes the same size bequest, even though the older donor's gift is likely to land in the charity's hands sooner? Will a donor making a deferred gift that might eventually add up to \$100,000 be acknowledged the same way as a donor who makes an outright gift of \$100,000?

What is the true length of the campaign?

Can a \$1-billion campaign over seven years be compared fairly with a drive aiming to raise that amount over a longer period of time? Will the stated length of the campaign include the so-called

quiet or silent phase, the months or years when fundraisers are sometimes securing the biggest gifts in advance of announcing the campaign to the public? Will so-called reach-back gifts be counted, the donations or pledges made before the start of the campaign but sometimes considered part of the drive to honor the desires of influential donors?