A Call to Accountability:
Where Donors and Mission Meet

National Catholic Development Conference, Inc.
www.ncdc.org

In this age of accountability and transparency, the National Catholic Development Conference wants to share with you our latest reflection on stewardship and ethics, *A Call to Accountability: Where Donors and Mission Meet*. We believe you will find it most helpful.

In the monograph, *The Spirituality of Fund-Raising*, Henri Nouwen states very simply "Fund-raising must always be about relationships." As we reflect on the NCDC *Code of Stewardship and Ethics*, it seems clear that we define our ethical behavior as Catholic fundraisers in terms of right relationships.

In the *Code*, we acknowledge the relationship of our missions to the Gospel, our connectedness with all of God's people, and our role as stewards of all God's gifts. We recognize our relationship to those to whom we are accountable and assert that our relationship with our donors is a sacred trust. We express the importance of the relationships we have with those whom our mission serves, our vendors, and our co-workers. We even address our relationship to money. The *Code* is the basis for all we do. It calls us to accountability.

The NCDC Accountability Task Force has worked diligently to create the documents that support the principles found in the *Code*. These will provide NCDC members with the tools we will need to do all that we do with integrity and honesty. We encourage all our members to use these materials as resources of information and as a basis for policies, procedures, and best practices.

On behalf of the NCDC Board of Directors and all our members, we thank the members of the Accountability Task Force for their many hours of hard work they put into this project over the past three years.

Sincerely,

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NCDC MISSION

NCDC leads the Catholic development community toward excellence in the ministry of ethical fundraising through education, resources, networking and advocacy.

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"As Catholic development professionals, our ministry is to promote the mission of our organizations. As stewards of this outreach, we hold ourselves personally responsible for the viability, growth, and integrity of our organization's capacity to further its mission.

How clearly and authentically do we proclaim this mission? How do we excite, invite, and engage others in our mission? What do we do to nurture and enrich the relationships we build with others through their participation in our mission? Do we believe in fiscal transparency, consistency, and sound business performance? Do we seek best practices as a standard? Do we educate others to this responsibility?

To be true to our mission, it must be protected. Accountability is a critical step toward assuring such protection. Through accountability, we assure those whom we serve – clients, benefactors, employees, volunteers, and board members of our organization's integrity, commitment to ethical values, effective self-governance, and adherence to our mission."

— NCDC, November 2005

CODE OF STEWARDSHIP AND ETHICS

of the Membership of the National Catholic Development Conference

PREAMBLE

We, the members of the National Catholic Development Conference, respond to Christ's invitation to build the kingdom. We hold sacred the trust established between the donors and the mission they choose to support.

Inspired by the Gospel call to stewardship, we serve the Church by respecting the hallowed ground on which donors and the mission meet. As trustees of what literally belongs to God, we strive for the highest ethical standards.

As disciples called to serve all of God's people, we are accountable and responsible to religious authority, to donors and to the mission. We believe, above all else, that the Gospel values of human dignity and worth need generous space to flourish and grow.

PLEDGE AND PROMISE

Therefore, the members of the National Catholic Development Conference pledge to embrace these precepts and values.

We promise:

1. **Fidelity** to the principles of stewardship and the gospel mandate to make a return to God for all the goodness we have received and to encourage and assist donors in their call to share their blessings.

2. **Integrity** of mission so that requests for donations are in keeping with the charism and mission of the organization.

3. **Loyalty** to those who benefit from the ministry of the organization for which funds are raised and respect for their personal dignity.

4. **Trustworthiness and respect** for donor intent in assuring that donations are used for the purpose expressed.

5. **Loyalty** to donors by respecting their choice to remain anonymous and/or to restrict the use of their personal information.

6. **Respect for authority** by seeking approval from the appropriate religious authority for all fundraising and development activities.

7. **Honesty** in dealing with vendors, consultants and corporate partners so that ethical business relationships are maintained.

8. **Fairness and truthfulness** in relationships such that no member shall enter into any arrangement or contract involving payment in the form of a percentage or commission on funds raised.

9. **Accountability** to the appropriate religious authority by regular communication on activities, goals and fundraising methods.

10. **Transparency** and disclosure in financial matters.

    - The organization will ensure sound internal control by appropriately segregating functions, particularly the duties of solicitation, collection, accounting and investment.

    - The development office will not be in a position of seeking donations beyond the defined needs of the organization.

    - The development office will respect the value of truthfulness by accurate and timely reporting to state, federal and canonical authorities and to donors upon request.

THE DONOR BILL OF RIGHTS

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III. To have access to the organization's most recent financial statements.

IV. To be assured their gifts will be used for the purposes for which they were given.

V. To receive appropriate acknowledgement and recognition.

VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.

VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Developed by:

- American Association of Fund Raising Counsel (AAFRC)
- Association of Fund Raising Professionals (AFP)
- Association for Healthcare Philanthropy (AHP)
- Council for Advancement and Support of Education (CASE)

Endorsed by:

- Independent Sector
- National Committee on Planned Giving (NCPG)
- National Catholic Development Conference (NCDC)
- National Council for Resource Development (NCRD)
- United Way of America

Developing Best Governance Practices

NCDC's *Code of Stewardship and Ethics* calls all member organizations to the awareness of the need for transparent decision-making, accurate financial reporting, and implementation of accepted auditing procedures.

Historically, NCDC members have been self-regulating, yet they have embraced good practices and sound ethical principles in meeting responsibilities to members, donors, and the general public. Sound external and internal controls are usually members' standard and we each generally utilize good fiduciary practices in assisting in the fulfillment of our respective missions.

While we in religious ministries have a better than average track record regarding these issues, we have not been without our own challenges. Now more than ever, we face both scrutiny and increased skepticism. It is an integral part of the responsibility of development officers to alert those on governing boards and in leadership positions to issues that member organizations need to understand. These issues not only affect the development office, but the entire organization.

These are issues that affect fundraisers and their offices directly:

1. Is the development office aware if their organization provides for an on-going analysis of roles, structures, and operation? How does the development office focus on size, diversity, meetings, committee responsibilities, and conflicts of interest? How does the development office assure its audiences that the mission is effective and that it is mission involved and driven? How is the development office involved in review and refocus of the mission? Is the development office receiving appropriate information and education? How do organizational decisions affect donor intent?

2. How are member organizations addressing the independence of governing boards from management? How are religious institutes addressing this issue?

3. Does the organization have an external, independent audit? How does the organization assure on-going review of accounting policies, procedures and principles?

4. How does the code of organizational conduct assure that fiduciary responsibilities of the board and volunteer leadership involving oversight, conflicts, confidentiality etc. are met?

5. Are proper financial policies developed ensuring that either government mandates or voluntary enactments regarding financial reporting are in place? Are policies in compliance with IRS regulations, including excessive compensation packages?

6. Is there a plan in place for crisis protection and risk management, including Whistleblower Protection and Document Retention? Is there a salary review policy in place? Does the organization periodically review their best practices?

These questions are presented to all member organizations as a helpful guide to assist in the fulfillment of good stewardship practices. Hopefully, they will provide you with a starting point to ensure best practices for disclosure at your organization. We recognize that each organization is different. You and your leadership need to develop YOUR best practices.

June 27, 2008

Accountability to our Benefactors: A Look at Donor Intent

Overview

Any discussion of fundraising in the Christian tradition must find its roots in the Gospel. Scriptures are filled with stories of generosity: the gift of the Child in the manger; the Gifts of the Magi; the Widow's Mite; the gift of a drink of water from a woman at a well; the story of the Good Samaritan; the many gifts of healing grace; the gift of bread and wine, transubstantiated; and, most profoundly, the gift of "laying down one's life for one's friends." The donor's intent was always the same. It was always about proclaiming the Good News of God's love.

In his first encyclical, *Deus Caritas Est*, *(God Is Love)* Pope Benedict XVI writes, "For the Church, charity is not a kind of welfare activity which could equally well be left to others, but is a part of her nature, an indispensable expression of her very being" [17]. For Catholic fundraisers, any discussion of charitable giving must be understood in this context. Catholic fundraising is not for the sake of some humanitarian concern, as worthy as that effort may be. It is for the sake of the Gospel mandate to love God and one's neighbor.

In *Toward a Theology of Fund Raising,* the late Archbishop Thomas Murphy spoke about fundraising as a way of fulfilling "the need for love to come alive." The late theologian Henri Nouwen, described the fundraising experience in *The Spirituality of Fund-Raising* as a place where "those who need money and those who can give money meet on the common ground of God's Love."

In the United States Bishops' Conference document *Complementary Norms Implementing Canon 1262,* the Bishops state that the motivation for fundraising should be to call "the faithful to a greater love of God and neighbor" *(1)*. The *Norms* also state "The relationship of trust between donor and fundraiser requires that funds collected be used for their intended purposes" *(3)*. Furthermore, "Donors are to be informed regarding the use of donated funds and assured that any restrictions on the use of the funds by the donor will be honored" *(4)*.

NCDC's *Code of Stewardship and Ethics* raises these concerns to a higher level and demands the highest level of fairness and truthfulness. Because of its ethical and religious viewpoint and ministry, NCDC can establish a perspective that is not easily available to secular businesses or non-profits which are often driven by the overriding need for financial gain.

Giving and the Purpose of Giving

In the Preamble of the *Code of Stewardship and Ethics*, NCDC encourages its members to "respond to Christ's invitation to build the kingdom." The members "hold sacred the trust established between the donors and the mission they choose to support."

Consequently, gifts are not an exchange of value or the equivalent of a purchase, in which a buyer exchanges money for goods or services. Even though financial benefit flows from the donor to the institution, nonetheless, the donor derives benefits, both monetary and otherwise, from the gift. The donor has the satisfaction of knowing that he or she has done a good deed and helped to advance a valuable mission. In short**,** donors demonstrate that they have been good stewards and have followed "…the gospel mandate to make a return to God for all the goodness…received" (*Code of Stewardship and Ethics*).

The donor has his or her own reasons for giving, including: generosity; identification with the institution's mission; tax advantages; or, quite simply because someone asked for a gift. The donor has the privilege of deciding his or her own reasons and purpose for the gift, whether the gift is modest or large.

Some fundraisers have suggested that giving occupies a space on a larger continuum of exchange. One extreme on that continuum is an example of a purchase of a quart of milk. The buyer knows the price, hands the money to the seller, and takes the milk. The buyer and seller will continue their relationship as long as the price is mutually advantageous.

The other extreme of this continuum is a donor who makes a large, anonymous, and unrestricted gift to an institution. For personal reasons, the donor chooses to give without expectation of recognition and concern for the application of the gift.

Between these two extremes resides a vast realm where the donor and the institution negotiate their mutual needs and expectations for a gift. This realm is sufficiently vast to accommodate a virtually infinite number of variations in donor intent and institutional need. Regardless of the outcome of the negotiation, the donor's intent must take precedence over the desires of the institution. If donor and institution cannot find a common expression of the gift's purpose and eventual use, the institution would be well advised not to accept the gift at all.

In the Pledge and Promise #4 of the *Code of Stewardship and Ethics,* members of NCDC promise "trustworthiness and respect for donor intent in assuring that donations are used for the purpose expressed."

The *Complementary Norms* adopted by the Bishops' Conference reinforces this concept even more succinctly:

- *"Fundraising efforts are to be for defined needs"* (Complementary Norms #2).

- *"The relationship of trust between donor and fundraiser requires that: a) funds collected be used for their intended purposes; b) funds collected are not absorbed by excessive fundraising costs" (*Complementary Norms #3).

- *"Donors are to be informed regarding the use of donated funds and assured that any restrictions on the use of the funds by the donor will be honored" (*Complementary Norms #4).

Gift Agreements and Defining Donor Intent

Questions of donor intent do not often arise with small, frequent gifts. Donations received by direct mail for annual support demonstrate that the donor understands the mission of the institution and that his or her gift will propel that mission. Often, the size of the gift is a factor; donors do not restrict their small and frequent gifts outside of customary boundaries. Institutions often cannot monitor a donor's intent when they receive many gifts of similar size. This is particularly true with the direct mail appeals that many Catholic institutions utilize. Yet, they can provide the donors with a Statement of Accountability, which NCDC strongly recommends. NCDC also strongly encouraged its members to refer to a booklet entitled, *A Guide to Preparing a Statement of Accountability*, for the past twenty years. In 2008, this booklet will be replaced with another document, entitled "Accountability, Fundraising Costs, and Efficiency."

Larger gifts are likely to provide a donor greater leverage in influencing the institution's mission. For this reason, the larger the gift, the greater the need for clarity in defining the donor's intent against the background of the institution's needs. Fundraising practice suggests several ways to clarify institutional need and to propose donor intent. First, the proposal is submitted to the prospect before the gift. After the gift is made, the institution will follow with the acknowledgement letter. When the institution faces more complex matters, a letter of gift acceptance or gift agreement is needed.

Proposals serve to define donor intent and institutional need *before* the money is received. Acknowledgments, letters of gift acceptance, and gift contracts provide additional clarity *after* the money is received.

Proposals

In most forms of fundraising, institutions ask for donations through written proposals, whether long or short. These documents state the institution's needs in qualitative and quantitative terms. Often, proposals request that a prospect give a stated amount of money to be used for a specific purpose. The proposal will indicate whether the gift will be used for the institution's general mission or for some narrower purpose within that mission (such as a specific activity or capital improvement, like construction). Often proposals suggest levels of recognition and reporting requirements as a means of persuading the prospect to give.

When the prospect makes a gift, the institution concludes that the donor has accepted the terms of the proposal and that the proposal expresses the donor's intent. The institution also concludes that the donor's intent is to fulfill the terms of the proposal. Many institutions clarify the terms of a gift in the acknowledgment letter that quickly follows an important gift. Gifts solicited verbally or without the foundation of a complete written proposal risk confusion concerning the donor's intent and the use of the funds in the future.

Acknowledgments, Letters of Gift, Gift Contracts

An ***acknowledgment letter*** is often the simplest way to verify the donor's intent. Thanking a donor for supporting a particular facet of the institution's mission can serve to remind both the donor and institution of the donor's desire to support that function. The acknowledgment letter also allows the donor to correct or clarify any confusion about the restrictions or general purpose of the gift.

Letters of gift are longer documents written by either the institution or the donor to state precisely the purpose of the gift and the donor's intentions. In addition, letters of gift define how the institution will address certain related procedures, such as recognition and reporting. Mutual cooperation between donor and the institution is implicit in the letter of gift, as well as the mutual recognition of the importance of the mission.

A donor and an institution enter into a ***gift contract*** similar to the provision of a service or the exchange of property. A contract makes the donor's intent clear with regard to an array of issues. The institution's acceptance of the gift implies that the institution is willing to accept the donor's terms and will work to fulfill the contract, addressing certain procedure such as recognition and reporting. Like any other commercial transaction, the contract indicates certain penalties will follow if either party does not fulfill the agreement.

The cost and complexity of adhering to a donor's intent should be a decisive factor in whether or not the institution should accept a gift. After some analysis, if the cost or organization required to meet the donor's expectations is too great, the institution should consider refusing the gift. A clear description of a donor's intent is highly beneficial to both the donor and the institution. All parties will benefit from clarity as soon as it emerges.

Donor Intent and the Marketplace

Warren Buffett, noted investor and philanthropist, stated in the March 19, 2007 issue of *Fortune*:

> *"One of the biggest arguments in favor of trying very hard to enforce donor intent is that it encourages more philanthropy over time. If people thought the attorney general of a state could walk in a year after you left the money and change everything, no one would set up a foundation."*

An institution that preserves donor intent influences the marketplace by sending a consistent ethical message to donors and other institutions. By preserving and valuing donor intent, an institution demonstrates respect for its donors and the desire to deliver value from their gifts. A commitment to preserving donor intent gives the institution a competitive advantage by building trust among the donor community.

NCDC members can speak to their donors from a position of strength as they abide by and implement the organization's *Code of Stewardship and Ethics*. Highlighting its principles will provide donors with a growing comfort level and will strengthen the relationship between the donor and the institution's mission.

In this vein, NCDC members should meditate upon the words of Pope Benedict XVI in his encyclical, *Deus Caritas Est*:

> *"Those who work for the Church's charitable organizations must be distinguished by the fact that they do not merely meet the needs of the moment, but they dedicate themselves to others with heartfelt concern, enabling them to experience the richness of their humanity. Consequently, in addition to their necessary professional training, these charity workers need a 'formation of the heart': they need to be led to that encounter with God in Christ which awakes their love and opens their spirits to others.*
>
> *"As a result, love of neighbour will no longer be for them a commandment imposed, so to speak, from without, but a consequence deriving from their faith, a faith which becomes active through love* (cf. Gal 5:6)."

Philanthropic Intent

Philanthropic intent has many technical definitions. It is important to recognize the donor's desire to perform a socially positive act by advancing the mission of a Church-related institution through philanthropy.

But what should an institution do if the donor has no philanthropic intent? What if a prospect is "shopping" for the best annuity rate or simply looking for a convenient means of tax avoidance?

The NCDC *Code of Stewardship and Ethics* provides several useful precepts that can guide institutions to wise decisions. The *Code* urges development staff to display trustworthiness and respect for the donor's intent and encourages fundraisers to show loyalty to the ministry's benefactors. In addition, the *Code* asks its members to respect the dignity of their donors.

In cases when a donor has no philanthropic intent or desire to support the institution's mission, each institution and development officer must decide the best way to realize financial gain for the institution while working to sustain a mutually productive relationship.

Based on the unique circumstances of institutional needs, donor desires, and the awareness of the community, the leadership of each institution must make crucial decisions about the consequences of accepting gifts in the absence of philanthropic intent. They must determine the long-term consequences of such gifts and whether acceptance implies some larger, productive, or menacing obligation. Sometimes, when careful analysis yields no threat, the gift is just about the money and is not intended for some larger purpose.

However, such situations provide an excellent opportunity to involve the donor in the life of the institution. When the donor sees how his or her gift furthers the life of others, he or she frequently becomes a great spokesperson for the institution. Clearly, this individual receives more than he or she gave. In a Catholic setting, genuine ministry can occur, lives can be enriched, and people become aware of stewardship in action.

Catholic fundraising professionals are not only development professionals; they distinguish themselves by practicing the ministry of fundraising and through relationship building with prospective donors.

Sustaining a Donor's Intent

Sustaining the donor's intent while he or she is alive is the foundation of stewardship and indeed of development. Demonstrating to the donor the value of his or her gift is the bond that sustains donor and institution. Constant communication and collaboration makes it clear that the gift is a wise and durable contribution to the institution and its benefactors.

When a donor dies, often members of the family or the executor of the estate are entrusted with sustaining the donor's vision. In this case, the same cultivation and collaboration that was focused on the deceased donor should be focused on his or her survivors. Adhering to both the spirit and the letter of any proposal or gift agreement throughout the relationship is vital to both donor and institution.

On occasion, donors will ask institutions to sustain wishes that are beyond the missions of their institutions, such as maintaining a residence, retaining stock given to the institution, or even caring for a pet. In each case, the institution's governing board must consult its gift acceptance policies and practices as well as analyze the costs and benefits of such arrangements. In these situations, Christian charity and civility must govern the final decisions.

Gift Acceptance Policy

Every non-profit institution, whether secular or religious, would be well advised to develop gift acceptance policies and procedures. This policy should strive to balance the interests of the institution and its donors. The policy should clearly state the institution's commitment to sustaining the donor's intent throughout the relationship. The organization should draft this policy in accordance with the institution's values, best practices, and experiences.

Finally, the gift acceptance policy should clearly state the institution's willingness or unwillingness to accept certain types of gifts such as real estate, financial agreements, or the stocks of companies profiting from alcohol, tobacco, or other controversial products/practices. There are excellent resources within the Catholic community to help institutions arrive at prudent decisions in these matters.

June 27, 2008

Appendix

The following samples are examples of actual gift policies of Our Lady of Victory Homes of Charity (Lackawanna, NY) and a sample pledge agreement and endowment agreement from DePaul University (Chicago, IL). All material has been reprinted with permission. NCDC would like to thank Our Lady of Victory Homes of Charity and DePaul University for their contributions to this appendix.

Note: This section should be viewed simply as a guide for your organization, rather than a template.

EXHIBIT 1: SAMPLE GIFT ACCEPTANCE POLICY

GIFT ACCEPTANCE POLICIES OF OUR LADY OF VICTORY HOMES OF CHARITY

I. PURPOSE

This policy serves as a guideline to members of the Our Lady of Victory Homes of Charity staff involved with accepting gifts, to outside advisors who assist in the gift planning process, and to prospective donors who wish to make gifts to Our Lady of Victory Homes of Charity. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis.

II. ADHERANCE TO ETHICAL FUND RAISING PRACTICES

Our Lady of Victory Homes of Charity has, among its primary objectives, the task of working with donors to help them make contributions that will satisfy their charitable giving intentions; while keeping in mind that the donor's financial interest is paramount. OLVH and its planned giving office will not support techniques and practices that use undue persuasion upon their donors. Further, representatives of the Homes of Charity will neither perpetrate any misrepresentation on a donor nor take advantage of any donor's incapacity or inability to fully understand the nature of any gift they are contemplating.

III. USE OF LEGAL COUNSEL

All prospective donors will be encouraged to seek their own professional counsel regarding their planned gift to the Homes of Charity. They shall also be encouraged to have their own advisors review all proposals and illustrations presented to them. Gift annuity illustrations will always include a disclaimer encouraging the prospective donor to seek independent advice and reminding them of the irrevocable nature of their contribution.

IV. GIFTS OF CASH

1. Our Lady of Victory Homes of Charity shall accept all gifts by check regardless of amount. There may be instances where the donor's ability to comprehend the irrevocable nature of their gift is in question, or there may be a question about the amount of the gift being appropriate given their apparent means. In such instances, OLVH planned giving staff will make a reasonable effort to contact the donor to determine whether or not to accept the gift.

2. Checks shall be made payable to Our Lady of Victory Homes of Charity or to a particular program or project at Our Lady of Victory Homes of Charity. In no event shall a check be made payable to an individual who represents Our Lady of Victory Homes of Charity.

3. A receipt should accompany any donation of cash made to a representative of Our Lady of Victory Homes of Charity. This receipt should be signed and indicate the amount of the gift, date it was made, and that no goods or services were given in exchange for the contribution.

4. Pledges may be payable in single or multiple installments and must have a value of at least $1,000. The pledge may not exceed 3 years in duration. All donors must complete a pledge form or confirm the pledge in writing.

V. PUBLICLY TRADED SECURITIES

1. Our Lady of Victory Homes of Charity can accept readily marketable securities, such as those traded on a stock exchange.

2. Gifted securities are likely to be sold immediately by Our Lady of Victory Homes of Charity.

3. For Our Lady of Victory Homes of Charity gift crediting and accounting purposes, the value of the securities is the average of the high and low on the date of the gift. Wherever possible, Our Lady of Victory Homes of Charity staff will complete IRS Form 8283 with as much information as is possible for the donor.

VI. CLOSELY HELD SECURITIES

1. Non-publicly traded securities may be accepted after consultation with the Treasurer's Office and/or legal counsel.

2. Prior to acceptance, Our Lady of Victory Homes of Charity shall explore methods of liquidation for the securities through redemption or sale. A representative of Our Lady of Victory Homes of Charity shall try to contact the closely held corporation to determine:

    - An estimate of fair market value
    - Any restrictions on transfer

No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.

VII. REAL ESTATE

1. Gifts of real estate must be reviewed by the Gift Review Committee of Our Lady of Victory Homes of Charity before acceptance. Gift review committee shall be comprised of the Director of Planned Giving, Executive Director, and Chief Financial Officer. Once a prospective gift has been reviewed, a recommendation can then be made to the Executive Vice President & Treasurer regarding whether to ultimately accept or decline the offer.

2. The donor is responsible for obtaining an appraisal of the property. The cost of the appraisal is borne by the donor.

3. Prior to presentation to the Gift Review Committee, a member of the staff must conduct a visual inspection of the property wherever possible. If the property is located in a geographically isolated area, a local real estate broker can substitute for a member of the staff in conducting the visual inspection.

4. Due to the expenses associated with gifts of real estate, only gifts in excess of < $ > will be accepted.

5. Prior to presentation to the Gift Review Committee, the donor must provide the following documents:

    - Real estate deed
    - Real estate tax bill
    - Plot plan
    - Substantiation of zoning status

5. Depending on the value and desirability of the gift,

the donor's connection with Our Lady of Victory Homes of Charity, and the donor's past gift record, the donor may be asked to pay for all or a portion of the following:

- Maintenance costs
- Real estate taxes
- Insurance
- Real estate broker's commission and other costs of sale
- Appraisal costs

7. For Our Lady of Victory Homes of Charity's gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. (Note: A nonprofit can choose to exclude from the value of the gift costs for maintenance, insurance, real estate taxes, broker's commission, and other expenses of sale.)

VIII. LIFE INSURANCE

1. Our Lady of Victory Homes of Charity will accept life insurance policies as gifts only when Our Lady of Victory Homes of Charity is named as the sole owner and 100% beneficiary of the policy.

2. If the policy is a paid-up policy, the value of the gift for Our Lady of Victory Homes of Charity's gift crediting and accounting purposes is the policy's replacement cost.

3. If the policy is partially paid up, the value of the gift for Our Lady of Victory Homes of Charity's gift crediting and accounting purposes is the policy's cash surrender value. (Note: For IRS purposes, the donor's charitable income tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash surrender value.)

IX. TANGIBLE PERSONAL PROPERTY

1. Gifts of tangible personal property to Our Lady of Victory Homes of Charity should have a use related to Our Lady of Victory Homes of Charity's exempt purpose.

2. Gifts of jewelry, artwork, collections, equipment, and software shall be accepted after approval by the Gift Review Committee.

3. Such gifts of tangible personal property defined above shall be used by or sold for the benefit of Our Lady of Victory Homes of Charity.

4. No property that requires special display facilities or security measures shall be accepted by Our Lady of Victory Homes of Charity without consultation with the Gift Review Committee.

5. Depending upon the anticipated value of the gift, Our Lady of Victory Homes of Charity shall have a qualified outside appraiser value the gift before accepting it.

6. Our Lady of Victory Homes of Charity adheres to all IRS requirements related to disposing gifts of tangible personal property and filing appropriate forms.

X. PLANNED GIFTS

Our Lady of Victory Homes of Charity offers the following planned gift options:

1. Charitable gift annuities
2. Deferred gift annuities
3. Charitable remainder trusts
4. Bequests
5. Retained life estates

1. Charitable Gift Annuities

   a. Administrative fees shall be paid from the income earned on the charitable gift annuity.

   b. There shall be no more than 2 beneficiaries on a charitable gift annuity.

   c. The minimum gift accepted to establish a charitable gift annuity is $1,000.

   d. No primary income beneficiary for a charitable gift annuity shall be younger than 55 years of age.

   e. Our Lady of Victory Homes of Charity sets a rate scale for the charitable gift annuities they offer based on consultation with their Chief Financial Officer, Executive Director, and Director of Planned Giving. Recommendations are then made to the Executive Vice President & Treasurer for review & approval.

   f. No planned giving or development officer will be authorized to offer a rate differing from the published rate schedule without express approval from the Executive Vice President & Treasurer and only after discussion with the Executive Director.

2. Deferred Gift Annuities

   a. Administrative fees shall be paid from the income earned on the charitable gift

   b. There shall be no more than 2 beneficiaries on a deferred gift annuity.

   c. The minimum gift accepted to establish a deferred gift annuity is $5,000.

   d. No income beneficiary for a deferred gift annuity shall be younger than 30 years old.

   e. Our Lady of Victory Homes of Charity sets a rate scale for the charitable gift annuities that they offer based on consultation with their Chief Financial Officer, Executive Director, Director of Planned Giving. Recommendations are then made to the Executive Vice President & Treasurer for review & approval.

3. Charitable Remainder Trusts

   a. Due to the cost of drafting and administration, the minimum to establish a charitable remainder trust is $100,000.

   b. Management fees for the administration of a charitable remainder trust when Our Lady of Victory Homes of Charity is named as trustee or co-trustee shall be paid from the income of the trust.

   c. Investment of a charitable remainder trust shall be determined by the fiduciary hired to manage the trust. No representations shall be made by an Our Lady of Victory Homes of Charity employee or person acting on behalf of Our Lady of Victory Homes of Charity as to the management or investment of such charitable remainder trust.

   d. The payout rate of a charitable remainder trust shall be determined in consultation with the donor and Our Lady of Victory Homes of Charity investment advisor. By law the payout rate cannot be lower than 5%. The payout rate shall be negotiated between the donor and Our Lady of Victory Homes of Charity and shall reflect the number of beneficiaries, their ages, and the size of the trust.

4. Bequests

   a. Assets transferred through bequests that have immediate value to Our Lady of Victory Homes of Charity or can be liquidated shall be encouraged by the development staff. Gifts that appear to require more cost than benefit shall be discouraged or rejected.

b. Donors who have indicated that they have made a bequest to Our Lady of Victory Homes of Charity may, depending upon the individual situation be asked to disclose, in writing or by copy of the will. We will request at least the relevant clause that benefits Our Lady of Victory Homes of Charity as evidence of their gift. This information is used for internal financial purposes and is not binding on the donor. The information shall always be kept in the strictest confidence.

XI. ADMINISTRATIVE ISSUES

1. Our Lady of Victory Homes of Charity shall not act as an executor (personal representative) for a donor's estate.

2. Our Lady of Victory Homes of Charity may act as co-trustee on a charitable remainder trust, when the trust names Our Lady of Victory Homes of Charity as a beneficiary of 50% or more of the trust.

3. Our Lady of Victory Homes of Charity will pay for the drafting of legal documents for a charitable remainder trust when Our Lady of Victory Homes of Charity is named as a beneficiary of 50% or more of the trust. The donor's own counsel must review the documents at the donor's cost.

June 27, 2008

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EXHIBIT 2: SAMPLE PLEDGE AGREEMENT

PLEDGE AGREEMENT

It is with pleasure that I, Donor Name, hereby pledge the amount of $0 to DePaul University designated for the purposes of the Fund Name, to be paid as outlined below.

The pledge of $0 will be paid to DePaul University over five years, with the first installment of $0 to be paid on or by Month d, yyyy. Future installments will be paid monthly through personal and/or family foundation gifts to fulfill this pledge until it is complete according to the following payment schedule:

$0 by Month d, yyyy;

$0 by Month d, yyyy;

$0 by Month d, yyyy;

$0 by Month d, yyyy;

Installment payments may be prepaid at any time at the discretion of the donor.

This fund shall be known and publicized in various University and College of Libieral Arts and Sciences publications and materials as the "Fund Name." This fund shall be subject to guidelines and policies adopted by the Board of Trustees of DePaul University from time to time.

Please send me reminders based on the schedule below (check one):

❑ *Monthly* ❑ *Quarterly* ❑ *Annually* ❑ *Semi-Annually* ❑ *Do not send*

Signature ____ Date____________________

Donor Name Donor

Signature ____ Date____________________

Mary C. Finger Senior Vice President, Advancement

Note to the donor(s):
This pledge shall extend to and be binding upon your executors, administrators, heirs, and assigns. It is a legally binding pledge, governed by the laws of the State of Illinois, and it cannot be fulfilled by contributions through donor advised funds. DePaul University recommends that you consult with your advisor about the tax implications of a binding pledge agreement and what qualifies as a charitable contribution. It is necessary for the trustee or other legal representative of a family foundation or charitable gift fund to sign on behalf of the organization or fund that may pay towards this pledge.

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EXHIBIT 3: SAMPLE ENDOWMENT AGREEMENT

AGREEMENT TO ENDOW

NAME ENDOWED SCHOLARSHIP
IN ATHLETICS AT DEPAUL UNIVERSITY

I. INTRODUCTION: The purpose of this agreement is to summarize the mutual understanding of donor name ("Donor(s)") and DePaul University ("University"), regarding the gift described herein. This Agreement will be included in DePaul's records and is intended as a guide to those who will administer the fund in the future.

II. NAME AND PURPOSE: The name of this endowed fund shall be name of fund, e.g. "The John and Mary Doe Endowed Scholarship". The purpose of this scholarship endowment shall be to provide recognition and financial assistance to indicate who the recipients will be, include financial need component and any minimum requirements like GPA.

III. FUNDING:

a. The principal endowment amount of $0 will be contributed to DePaul University, an Illinois not for profit corporation, for the above stated purpose, via a multi-year pledge by Month d, yyyy , as described in Section XIII below**.**
b. In the event that funding does not reach the minimum requirements to establish an endowed fund, then the fund may be terminated and the fund balance and any unspent earnings may be transferred to an expendable fund and used for a purpose as closely related to the original purpose as possible, keeping in mind the original intent of the donor(s).
c. Additional contributions may be made to this fund by all interested individuals or organizations.
d. If payments are made with stock, the securities will be transferred to an account in the name of DePaul University. The value of the gift will be established on the date the shares are received in this account. DePaul is authorized to sell the stock as soon as it is determined to be prudent. The proceeds from the sale of the stock will be invested in accordance with the investment policies of DePaul University as described in Section IX below.

IV. ELIGIBILITY: Consideration for this scholarship shall be given to indicate recipient students, include major & school/college; outline selection criteria including GPA/merit & need component, e.g. "The student should be in good academic standing and exhibit financial need"/Ask Gift Process. if preference for spec. group.

V. SELECTION PROCEDURE: Recipients of this scholarship shall be selected by the Dean or the Dean's Designee in the College of (school/college) in conjunction with the Director of Financial Aid. The Financial Aid Office, which is responsible for ensuring compliance with regulations concerning federal, state, and other aid in accordance with University policy regarding academic scholarships under University control, shall be consulted prior to the award of this scholarship. The Dean or the Dean's Designee shall inform the Director of Stewardship and Donor Relations in the Office of Development of all awards.

VI. AMOUNT OF AWARD: The scholarships will be funded by an annual distribution in accordance with the University's endowment spending policy. The scholarship award and the amount shall be determined by the Dean or the Dean's Designee. The University will use its best efforts to expend funds annually. Should full expenditure not be practicable, any available monies not spent in a particular year shall be returned to the principal of the endowment or spent together with the monies available for expenditure in subsequent years, as determined by the University and in accordance with University endowment management policies.

VII. TERM OF AWARD: Each scholarship shall be awarded for one academic year and is renewable.

VIII. COMPLIANCE WITH LAWS: This Agreement shall be governed by the laws of the State of Illinois, and this endowment shall be administered at all times in compliance with all University policies and procedures and all applicable federal, state and local laws and regulations. In the event of a conflict between this Section VIII and any other provision of this agreement to endow, this Section VIII shall control.

IX. ENDOWMENT MANAGEMENT: This endowment shall be subject to general guidelines and policies adopted by the Board of Trustees of DePaul University for the management of endowed funds, including combining it with other DePaul University assets for investment purposes. The policies are designed to maintain the stability of endowment support and preserve the purchasing power of the fund against inflationary pressures by limiting spending to a specified percentage of the annually-determined market value of the fund. As authorized by the Board of Trustees, the University's Investment Committee monitors and administers annual endowment spending. Investment returns in excess of the designated spending rate are retained in the investment pool and are reflected in each funds' market value.

X. RECOGNITION:

a. The Donor(s) will be recognized, commensurate with giving level, in DePaul University-wide giving societies.
b. In recognition for this gift, DePaul agrees to provide an annual endowment report on the fund to the donor(s).
c. The donor(s) agree(s) to allow DePaul to publish their names in various publications and press releases as follows: donor name/names.

XI. FUTURE CONSIDERATIONS: It is the wish of the donor(s) for the fund to exist in perpetuity. The administration of DePaul University shall have the authority to make changes in these guidelines which are necessary to ensure the fulfillment of the above-stated objectives. The donor(s) also acknowledge(s) that the University has the discretion to modify these provisions as necessary due to changes in the law, in circumstances, or in University policies or procedures. In addition, this agreement may also be amended at any time by written agreement signed by each party.

XII. MISCELLANEOUS:

a. Except as otherwise provided, this Agreement shall be irrevocable.
b. DePaul represents that it is qualified as a charitable organization (36-2167048), for which the Donor(s) is/are or will be entitled to charitable contribution tax deductions, under Internal Revenue Code sections 170(b)(1)(A), 170 (c), 2055 and 2522.
c. The effective date of this agreement shall be the date it is fully executed.

d. The foregoing agreement may have tax and/or other legal implications. The Donor(s) acknowledge(s) that they have consulted with their financial and legal advisor for guidance regarding such issues.
e. This pledge shall extend to and be binding upon the donor's/s/s' executors, administrators, heirs, and assigns. It is a legally binding pledge, governed by the laws of the State of Illinois. It is necessary for the trustee or other legal representative of a family foundation or charitable gift fund to sign on behalf of the organization or fund that may pay toward this pledge.

XIII. PAYMENT SCHEDULE: The pledge of $0 will be paid to DePaul University in a period of up to five years, with the first installment of $0 to be paid on or by Month d, yyyy. Future installments may be paid annually to fulfill this pledge until it is complete according to the following payment schedule:

$0 by Month d, yyyy;

$0 by Month d, yyyy;

$0 by Month d, yyyy;

$0 by Month d, yyyy;

Installment payments may be prepaid at any time at the discretion of the donor(s).

Send reminders based on the schedule below (check one):
❑ *Monthly* ❑ *Quarterly* ❑ *Annually* ❑ *Semi-Annually* ❑ *Do not send*

APPROVED:

Signature ______________________________ Date____________________
Donor Name Donor

ACKNOWLEDGED BY DEPAUL UNIVERSITY:

Signature ______________________________ Date____________________
Mary C. Finger Senior Vice President, Advancement

Signature ______________________________ Date____________________
Mark L. Hawkins Assistant Controller

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Accountability, Fundraising Costs, and Efficiency

Introduction

Donors and the public at large rightfully expect a high standard of trust and accountability for nonprofit organizations and for their role in society. The ongoing proactive cultivation of this trust and accountability by nonprofits lies at the heart of every fruitful relationship with the public.

To meet the stewardship and ethical requirements of the National Catholic Development Conference (NCDC), all members are required to sign documentation annually indicating that they adhere to the ***Code of Stewardship and Ethics*** as well as the ***Donor Bill of Rights.***

In addition, each member organization is required to submit a signed ***Statement of Accountability***, indicating how monies donated to the organization were used. NCDC requires this signature to ensure such documentation exists, as it is a principle of good stewardship and ethical accountability to donors.

This mutual interest in trust, stewardship, and public accountability, signified with our membership, may hopefully become a source of confidence and motivation for the wider benefit of all.

Accounting for Costs of Activities

Lee E. Werner

(Source: "Stewardship for Mission: Where Development and Finance Meet," © 2005 NATRI/NCDC)

Background

In the 1960's, donors and regulators had become concerned that not-for-profit organizations were not allocating joint costs for programs and fundraising accurately or consistently. Program costs were being overstated and fundraising costs understated. In an effort to self-govern, the philanthropic community developed the primary purpose rule. It required that all cost of materials (i.e. stationery and envelopes) and activities (i.e. artwork, print, or media layout) incurred in a fundraising appeal to be recorded as fundraising costs, except educational material costs, which were reported as program costs. The direct costs associated with fundraising, along with the joint costs of the materials and activities, were fundraising costs.

The American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 78-10 in 1978. When an organization combined the fundraising function with a program function, the costs were allocated to the program and fundraising categories based on the use made of the materials or activity. The content of the material, the reasons for the distribution, and the audience to whom it is addressed were the factors used to determine the use made of the material.[1]

In 1987, the AICPA issued SOP 87-2, *Accounting for Joint Costs of Informational Materials and Activities of Not-for-Profit Organizations That Include a Fundraising Appeal*. The purpose of SOP 87-2 was to reduce the confusion over how to treat joint costs. The problems SOP 87-2 was trying to address were the proper reporting of costs incurred for program or administration, and fundraising costs in the financial statements.

SOP 98-2 Introduction

Despite the previous efforts of the AICPA to encourage not-for-profit organizations to report joint costs properly that involve fundraising activities, there still was confusion and concern that fundraising costs were incorrectly understated and program costs overstated. This can mislead a donor into believing that their dollars are going to support the organization's mission when in reality, the dollars are just continuing to underwrite additional fundraising efforts.

In 1998, the AICPA issued SOP 98-2. It requires certain criteria be met when the allocations of joint costs of activities are reported, including fundraising costs.

The criteria are identified as *purpose*, *audience*, and *content*. If these criteria of a fundraising activity are met (as defined in SOP 98-2), shared costs that are identifiable to a particular function should be charged to that function and *joint costs* should be allocated between the *fundraising*, *program* or *administrative* function.

Definitions

It may help to understand what these various types of activities mean:

Fundraising activities are activities that persuade donors or prospective donors to contribute time, talent, and treasure to an organization in order to achieve its mission. When conducting fundraising campaigns (either ongoing or special events), fundraising activities include the development and maintenance of mailing lists; the development and distribution of fundraising manuals; and instructions and other materials used to publicize and promote the organization, in order to solicit funding from the public, private foundations, and government agencies.

Program activities are activities that produce and distribute the goods and services to the organization's beneficiaries, clients, customers, and members, in order to fulfill the organization's mission. For example, a social service agency may provide overnight shelter, meals, job training and placement, GED education, etc.

Administrative activities are functions and activities that are not identifiable to any program or fundraising activity, but are required for the organization to function properly and smoothly. Administrative activities include payroll processing, accounting and record keeping, human resources, and management.

Costs of joint activities are the costs incurred for a dual use, such as the cost of producing a training video for volunteers, but which is also shown to church groups in order to solicit contributions.

The following is a summarized overview of AICPA Statement of Position 98-2. It is recommended that you discuss the implications of SOP 98-2 with your fundraising and program staff, direct mail vendors, as well as your accounting professional:

Importance of SOP 98-2

By applying SOP 98-2 consistently, fairly and in good faith, it helps donors and potential donors to determine if their donation to an organization is adding true value to society and/or to the mission of the organization, not just underwriting the cost of marketing efforts. It can also have costly legal ramifications for a not-for-profit organization if not applied correctly. For 501I (3) organizations that file Form 990*, the IRS can impose financial penalties for understating fundraising costs.

If any one of the criteria of purpose, audience or content is not met, all costs of a joint activity should be charged to fundraising costs, including those costs that would otherwise be charged to program or administrative function. Thus, determining what constitutes a joint activity and the associated costs for SOP 98-2 are an important issue. (*Note: *Religious organizations are exempt from the mandatory filing of IRS Form 990. NCDC members can also reference IRS Publication 557, "Tax Exempt Status for Your 501(c) (3) Organization," online at http://www.irs.gov).*

Purpose

The purpose criterion asks the question: does the performance of the joint activity achieve the goals of either program or management functions while performing a fundraising activity?

1) The purpose criterion is not met if a majority of compensation of an employee, or fees paid to an outside consultant, is derived from the performance of any component of a specific joint activity based on contributions raised for that specific joint activity.

2) The purpose criterion is met for a program purpose if:

   a) The program component of a joint cost activity calls for specific action by the donor or potential donor that will help accomplish the religious institution's mission. It must be something the donor can do to benefit himself or herself or the religious institution's mission, rather than just giving a donation, such as writing or speaking with or visiting an elected official urging them to support a matter the religious institution supports.
   b) The purpose does not require a donation be made to the religious institution.

3) The purpose criterion is met for a program or administrative purpose if a similar program or administrative component is conducted without the fundraising component and does the following:
   a) Both activities use the same communication method (television, direct mail, newspaper or magazine advertising); and
   b) The extent of the similar program or administrative component is similar to or

4) Tests of other evidence as they relate to items 2 and 3 above: All of the following points are to be considered to determine whether the purpose criterion is met:
   a) Is the activity assessed on the amount of contributions raised or some other criterion?
   b) Are the personnel doing the program activity qualified to perform that activity or is their background only in fundraising?
   c) Does substantial evidence exist, such as board or committee meeting minutes or written instructions, to support the program's purpose of the joint activity?

Audience

The audience criterion asks the question: does the audience receiving the information have a reasonable need to use the program goods or services described, or a call to action to assist or promote the program service, or to use the administrative function of the organization. On the other hand, is it primarily a promotional piece to solicit contributions?

The audience criterion is met for a program purpose if it is selected because:

1) The audience has a need or potential need to use the information named by the program component in the joint activity; or

2) The capacity exists to respond and assist the religious institution in meeting the goals of the program component of the joint activity other than by contributing to the religious institution. An example of this would be a homeless service provider that sends out a mailing to a group of people from a mailing list that it has identified as supportive of the homeless problem in the geographic region it serves. The mailing asks the reader to contact the city council and urges them to support an ordinance that would help supply affordable housing in the community.

Content

The content criterion asks the question: does the message of the information solicit the recipient to perform a specific action for the organization that is unrelated to contributing to the organization and explains the reasons and benefits of why it is important to the organization for them to act on the request. The content criterion is satisfied for a program purpose if the joint cost activity:
1) Requires a specific action by the recipient that will help achieve the religious institution's mission;
2) Is not related to making contributions to the religious institution; and

3) Supplies descriptive information about the action and explains the need for and benefits of the action if the need for and benefits of the action is not evident.

After determining that the above criteria have been satisfied, the next step is to allocate the expenses that meet the criteria.

Allocation Method

The cost allocation methodology for distributing costs between fundraising, program, mission or administrative functions should:

1) Be rational and systematic;
2) Be a reasonable allocation of joint costs;
3) Be applied reliably given comparable facts and circumstances.

Types of Allocation Methods

1) **Physical Units Method** - Develop a ratio of the number of fundraising words to programmatic words, or alternatively, the ratio of square inches of space for fundraising vs. program and administrative functions.

2) **Relative Direct Cost Method** - Identify program and direct fundraising costs, develop a ratio between the two and apply it to joint costs.

3) **Stand-Alone Joint Cost Method** - Estimate the joint cost (i.e. paper, postage, and envelopes) to carry out each component of the joint activity separately and then allocate the costs of the joint activity based upon the ratio of costs of each separate component to the total costs of the combined components.

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About Lee Werner: Lee Werner graduated with a Bachelor of Science Degree in Accounting from the University of Illinois at Chicago in 1976. He is currently completing a Master of Community Development degree at North Park University in Chicago. He has worked as a corporate controller for most of his career. Lee has also worked in public accounting and as a controller for a faith based not for-profit organization. Lee is involved with a number of faith-based organizations.

Statement of Accountability for Donors

(*Source: "Stewardship For Mission: Where Development and Finance Meet," ©2005 NATRI/NCDC)*

The Statement of Accountability is a special purpose report that describes and accounts for an organization's fundraising efforts. It is of specific interest to donors and the giving public at large. NCDC members are asked to provide a signed Statement of Accountability upon membership application and renewal. NCDC members are also required to produce a Statement of Accountability upon a donor's request.

Accordingly, the Statement of Accountability should be prepared in scope and design to meet the particular needs of its intended audience. In some instances, a suitably prepared set of audited financial statements or a published annual report may be issued in place of or to supplement the Statement of Accountability.

The Statement of Accountability is intended to portray the activities of the fundraising function of the organization and not the entire range of activities carried out by the organization. Accordingly, the Statement of Accountability reports all resources raised through an organization's fundraising material. The usefulness of the Statement of Accountability can be enhanced by including narratives, illustrations, or graphs describing the organization's services and programs**.** Other activities of an organization that would be included are the organization's services and programs. Other activities of an organization that would be included in the organization's audited financial statements are not included in the Statement of Accountability.

Therefore, a Statement of Accountability will report the amounts of funds raised, and the application or distribution of such funds for program or supporting functions. It will generally not report the subsequent investment of such funds, the administration of deferred giving instruments, or the actual expenditure of funds by the programs since these activities will be carried out at different organizational levels.

For the most part, the Statement of Accountability is prepared in accordance with Generally Accepted Accounting Principles (GAAP). NCDC believes, however, that the Statement of Accountability does not need to (a) segregate restricted support and revenue between temporarily and permanently restricted categories, or (b) include the footnote disclosures that would be required by GAAP. The Statement of Accountability, regardless of the amount and use of the funds expended for scope, sets forth: the amount of funds raised, other program services, and the amount of funds revenues generated from the fundraising function, expended for supporting services.

Components of the Statement of Accountability

Support and Revenue

The amounts of public support are shown in the Statement of Accountability with material amounts identified in the following net asset classifications:

- **Unrestricted**: this is the total of all support that the donor has not restricted for specific uses.

- **Restricted**: this is the total of all support that has a donor-imposed restriction, whether temporary or permanent. Normally, these will include such items as mass offerings, endowment fund additions, and gifts for specific programs, uses, or purposes. If practical or material, restricted contributions should be reported by major category (endowment, capital additions, etc.) GAAP requires restricted contributions to be reported separately for temporarily restricted purposes; this segregation is not required for the Statement of Accountability.

Public Support

Public support represents charitable giving by donors for the work of the organization. An organization may show the total amount raised or may wish to display the major categories such as the following:

- **Contributions**: the category includes contributions of cash or investment securities, which are reported at fair value. Contributions from current donors may be reported separately from those received from new donors as a result of donor acquisition activities.

- **Legacies and bequests**: if the amounts due from legacies and bequests at the time of the gift can be reasonably estimated, they are reported at fair value.

- **Gift portion of annuity contracts or similar deferred giving instruments**: the subsequent administration and accounting for such deferred giving instruments is generally performed by another department of the organization and, therefore, will not be reported in future years in the Statement of Accountability. When the fundraising office performs those functions, their financial impact is included in the Statement of Accountability to the extent applicable under GAAP.

- **Promises to give**: such promises, frequently referred to as pledges, are reported at fair value when the pledges are received. This is a major change in reporting for many organizations that previously have not reported pledges until they were collected. In determining fair value of pledges, it is important to consider their materiality and likelihood of collection.

- Contributed services: such contributions, which are reported at fair value and according to current IRS Regulations and may consist of services to conduct the fundraising functions, or services to assist in program functions when they are solicited through a fundraising effort.

- **Gifts in kind**: these contributions are reported at fair value and according to current IRS Regulations and may consist of property, food, clothing, or other supplies.

- **Special events**: some organizations hold special fundraising events, such as banquets, dinners, theater parties, or golf tournaments. When such special events are part of the major ongoing operations of an organization, their revenues and costs should be reported at gross amounts. Otherwise, special events may be reported net.

- **Other contributions**: this category includes items such as the contribution portion (if any) of membership dues and grants from governmental or other organizations that meet the definition of a contribution.

Revenue and Other Income

Revenue represents money earned by the organization's fundraising or development office. It includes amounts received from service activities (dues and fees for services, rentals, royalties and amounts from sales activities such as publications and materials); investment income earned on funds that are temporarily invested by the fundraising office before they are passed on to the ultimate beneficiary; and funds received from other branches of the organization to support fundraising activities. The grand total of all such revenue is shown in the Statement of Accountability. If material, the reporting organization displays the major categories and amounts that comprise the grand total. If material amounts of revenues are restricted by the donor or by law, they are reported separately from unrestricted revenues.

Some organizations sell merchandise in connection with their program and fundraising activities. For the purpose of the Statement of Accountability, the revenues from these sales are reported in revenues. The costs are allocated between program and fundraising costs and included in the appropriate cost category.

Funds Expended

Program Services

Reporting organizations summarize their costs and funds expended to others providing various services or other activities on a functional basis in the Statement of Accountability. Functional reporting classifications for program services vary according to the nature of the service rendered. For some organizations, a single functional reporting classification may be adequate to portray the program services provided. Expenditures for program services are reported by type of service function or group of functions. The purposes of the various functions are clearly identified, and each functional classification includes all of the applicable disbursements and costs. For funds transferred for program services, the report specifies the amounts transferred to other departments within the organization, related organizations, and unrelated organizations.

Supporting Services

The Statement of Accountability separately identifies the following expenses:

- Fundraising
- Donor acquisition
- Joint cost allocation
- General administration

Fundraising: These costs are incurred in requesting current donors to contribute money, securities, time, materials, or facilities. They normally included personnel, occupancy, maintenance of mailing lists, printing, mailing, marketing, consultation and all other direct and indirect costs of solicitation, including the cost of merchandise used for fundraising, contributed services, and gifts in kind that are donated to support fundraising costs.

Donor Acquisition: When donor acquisition costs are shown separately from fundraising costs, the donor achieves a better understanding of the expense involved in attracting new donors to the organization. Acquisition includes, for example, the cost of an initial mailing to a list of prospective donors. Fund raisers often measure costs of acquiring new donors as the net cost of the initial mailing, i.e., direct mailing and allocated costs, less the support received from that initial mailing. However, for purposes of the Statement of Accountability, support and donor acquisition costs are shown on a gross basis.

Joint Cost Allocation: The American Institute of Certified Public Accountants (AICPA) has written a specific Statement of Position (SOP) in this regard. For more information read the prior section entitled, *Accounting for Costs of Activities*.

General Administration: These costs include general record keeping, business management, budgeting and similar general costs related to fundraising activities, and the routine acknowledgment of contributions. Fundraising departments may also carry out management activities for the organization, such as assistance with grant applications and general oversight of programs and operations. Such activities are reported as general administration expenses.

Excess of Support and Revenues Over Expenses

The Statement of Accountability, prepared in accordance with the guidelines described above, will effectively report the resources raised and the disbursement of such resources in the period. In many cases, the resources raised will equal the disbursements. However, in some circumstances, such as when resources raised are temporarily held by the fundraising department before they are spent or passed on to other departments or other organizations for the purpose intended by the donor, there will be an excess or deficiency of support and revenue and expenses. In such case, footnotes or other explanations may be provided to illustrate the nature of such excess or deficiency and the subsequent disposition thereof.

Uses of a Statement of Accountability

The role of a NCDC member's signed Statement of Accountability has already been referenced as a membership requirement, as well as a requisite disclosure from a NCDC member to its donors upon request. The examples on the following pages present a variety of formats utilized by NCDC's wide-ranging membership.

Members discover many innovative and beneficial uses for their respective Statements of Accountability, including distributions through donor acknowledgements or newsletter communications. Major donors also express their pleasure in viewing the material. A large-scale version located in the lobby can generate extended interest. Volunteers, visitors, and new staff appreciate the courteous orientation and trust communicated with handouts of the organization's Statement of Accountability. How might your organization find additional creative uses for your material?

Summary

The NCDC *Accountability, Fundraising Costs, and Efficiency* document is a significant collection of material for members in several respects. Noteworthy are the various NCDC membership documents that collectively express the highest standards of ethical and public accountability that NCDC members publicly hold in common.

The content within can also serve as an excellent reference tool for all staff, including the development director, treasurer, mission advancement officers and nonprofit leadership. Most finance directors may already be very familiar with the material, but development directors and new staff should become familiar and conversant with the information.

Nonprofit organizations can also utilize this document in a convincing manner to disclose their committed stewardship of the public's resources and sustain a productive dialogue regarding fundraising costs, efficiency, and mission effectiveness.

The NCDC is pleased to make this material available and stands ready to provide assistance through the commitment of its membership.

Sections, "Accountability for Costs of Activities" and "Statement of Accountability" are reprinted from Stewardship for Mission: Where Development and Finance Meet, a joint manual produced by the National Association for Treasurers of Religious Institutes (NATRI) www.natri.org and the National Catholic Development Conference (NCDC) www.ncdc.org. Copies of the manual are available through their offices (@2005 NATRI/NCDC).

The representations of Statements of Accountability are examples of a variety of ways used by nonprofits to provide accountability and disclosure of their activities to donors and the public. The titles of the organizations themselves are not intended to represent actual nonprofits nor are the examples intended to represent actual activities of any specific nonprofit. Any similarity with an organization is unintended and inadvertent.

June 27, 2008

Example #1
Large Volume Direct Mailer

Servants of Divine Wisdom
Statement of Accountability
For the Year Ended June 30, 2008

Support:	
Direct mail contributions	**$7,227,169**
Acquisition contributions	$392,073
Planned giving	$682,471
Legacies and bequests	$732,536
Total Support	**$9,034,249**
Expenditures:	
Program Services:	
Ministry support	$3,166,213
Apostolate of the printed word	$4,993,974
Religious retirement	$525,532
Total Program Services	**$8,685,719**
Supporting Services:	
Direct mail fundraising	$360,476
Donor acquisition	$172,390
General and administration	$383,606
Total Supporting Services	**$916,472**
Total Program and Supporting Services	**$9,602,191**
Excess/(Deficiency) of Support over Expenditures	**($567,942)**

Example #2
Mid-sized Development Office

Missionary Religious of the Gospel
Statement of Accountability
For the Year Ended June 30, 2008

Support:	
Contributions	$2,168,151
Wills and bequests	$219,761
Total Support	**$2,387,912**
Expenditures:	
Program Services:	
Support of Missionary programs	$949,864
Retirement fund	$52,553
Total Program Services	**$1,002,417**
Supporting Services:	
Fundraising	$508,143
General and administration	$115,082
Total Supporting Services	**$623,225**
Total Program and Supporting Services	**$1,625,642**
Excess/(Deficiency) of Support over Expenditures	**$762,270**

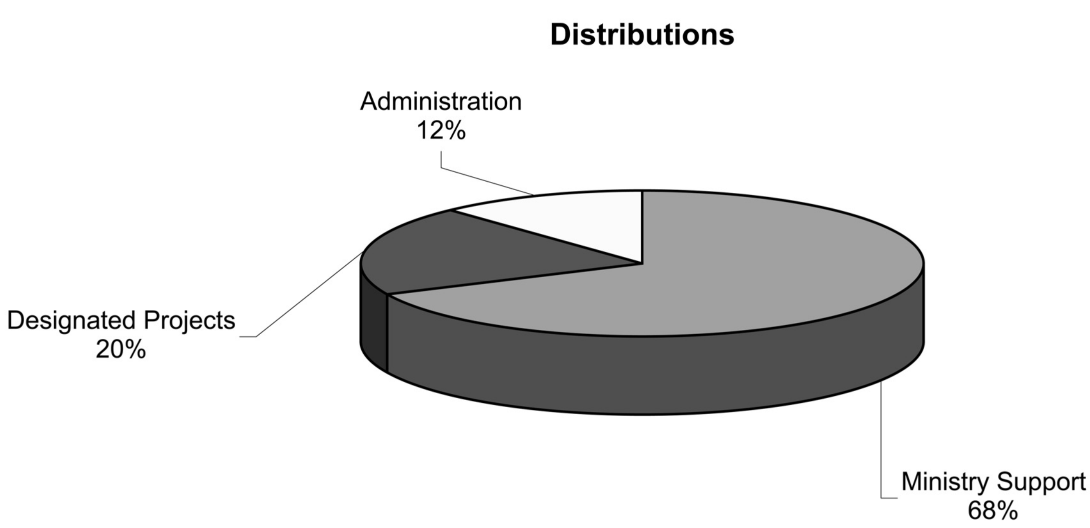
Example #3
Activity-Based Development

Catholics Devoted for Mission
Statement of Accountability
For the Year Ended June 30, 2008

Support:	
Gala Dinner	$294,055
Golf Outing	$187,097
Bequests	$204,741
Total Support	**$685,893**
Expenditures:	
Program Services:	
Mission Support	$379,946
Religious Retirement Fund	$52,553
Total Program Services	**$432,499**
Supporting Services:	
Gala Dinner	$108,143
Golf Outing	$51,717
Administration	$57,541
Total Supporting Services	**$217,401**
Total Program and Supporting Services	**$649,900**
Excess/(Deficiency) of Support over Expenditures	**$35,993**

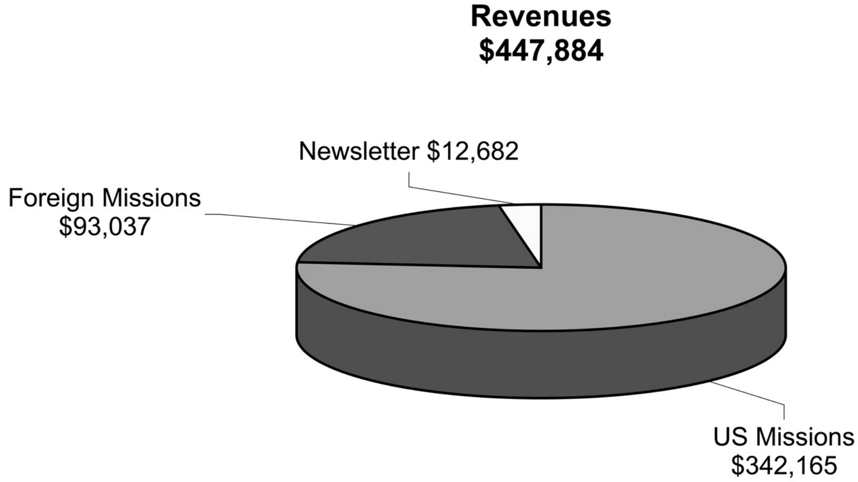
Example #4
Graphic Representation of Development

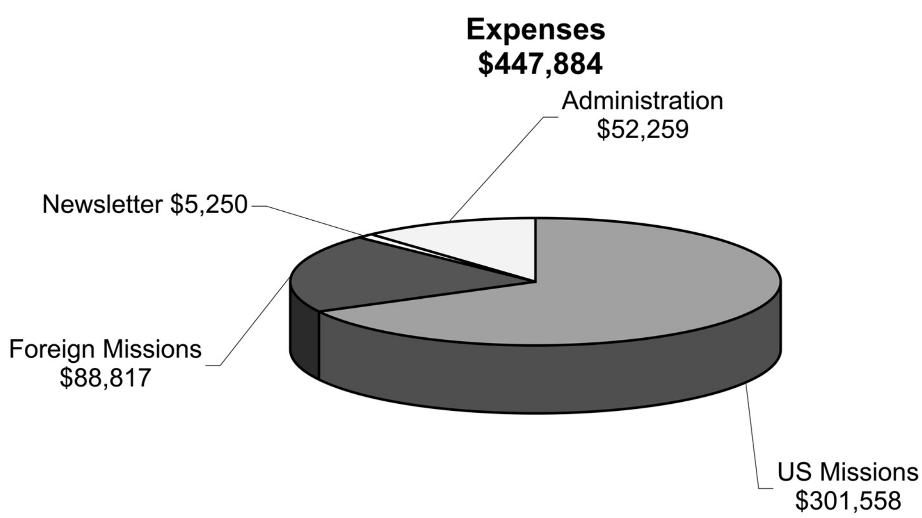
Brothers of the Holy Word
Donations and Distributions
For the Year Ended June 30, 2008



Example #5
Graphic Representation of Development

Catholic Mission Society and Gospel Outreach
Annual Report
For the Year Ended June 30, 2008





Acknowledgement:

On behalf of the membership,
NCDC thanks Oblate Missionary Society, Inc.
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