



# Standards Manual

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For Reporting and Communicating  
Effectiveness and Efficiency in  
Healthcare Philanthropy

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# Foreword

In the early 2010s, a visionary group within our community recognized the imperative need for standardized data and reporting practices to uphold our profession's credibility. Their foresight led to the creation and publication of the first AHP Standards Manual in 2012.

Since that landmark moment, the landscape of healthcare philanthropy has evolved dramatically. Our partners across the healthcare spectrum increasingly demand rigorous metrics and data-driven decision-making, underscoring philanthropy's growing influence in strategic planning and execution. This evolution has amplified the importance of robust reporting standards. Data and data integrity are central to our profession, whether it involves communicating with your chief financial officer in the nuanced languages of production and Generally Accepted Accounting Principles (GAAP) or leveraging data analytics for precise predictions in campaign outcomes.

This edition of the manual, which continues to refine the specifics and extend the comprehensiveness of the previous two editions, reflects our journey towards a more data-driven and accountable practice in healthcare philanthropy. It calls upon us to adopt a mindset that values data integrity and analytical rigor, equipping us to meet the evolving expectations of our stakeholders and to enhance our impact on the communities we serve.

The task force responsible for this edition, a group of dedicated and talented professionals, has poured their expertise into every page. I am deeply appreciative of their hard work and commitment. I also extend my heartfelt thanks to our members, partners, and all who contribute to our mission.

Warmest regards,

Alice Ayres, MBA  
President and CEO  
Association for Healthcare Philanthropy

# Introduction

Since its establishment in 1967, the Association for Healthcare Philanthropy (AHP) has been a pivotal resource for those in healthcare philanthropy, providing professional development, continuing education, and key research insights. AHP's annual Report on Giving, initiated in 1984, and the Performance Benchmarking Service, introduced in 2003, have been instrumental in standardizing the reporting of healthcare philanthropy performance. These tools, developed by seasoned professionals, have transformed how organizations track, measure, and compare fundraising results, facilitating the development of effective fundraising strategies.

Key benefits of adhering to AHP's standards include enhanced ability to identify performance influencers, inform strategic resource allocation, set achievable fundraising goals, find cost-effective support methods, maximize returns on philanthropy investments, and elevate philanthropy's role within healthcare leadership. Consistent reporting, encouraged by these standards, has improved recognition of fundraising's significance within the healthcare sector and among the public.

The adoption of these standardized reporting and benchmarking practices has marked a significant shift in the perception of fundraising, now seen as a critical business unit within healthcare organizations. This change underscores the industry's commitment to strategic philanthropy investment and accountability, with philanthropy increasingly factored into financial planning.

In publishing this updated edition of the Standards Manual, AHP reaffirms its commitment to supporting healthcare philanthropy professionals in achieving excellence and transparency through the strategic use of data and benchmarks.



# How to Use This Manual

The AHP Standards Manual serves two primary purposes:

1. **To establish uniform standards:** It provides a unified set of standards for healthcare fundraising professionals, promoting transparency and accountability. These standards are crucial for demonstrating our profession's integrity to leaders, donors, and the public.
2. **To standardize terminology:** It offers standard definitions for terms used in reporting and discussing fundraising performance. This common language facilitates clearer communication within the field.

The manual is designed to transform complex financial and fundraising data into actionable insights, aiding professionals in establishing best practices. It includes tools to help users gauge the impact of fundraising efforts and offers guidance on quantifying and communicating the effectiveness, efficiency, and net returns of fundraising activities.

While our standards complement general accounting principles and regulatory requirements, they also capture activities unique to philanthropy that might not result in immediately recognizable revenue but are essential for a comprehensive view of an organization's fundraising activities.

Organizations of various types and structures—ranging from multi-hospital systems to individual hospital foundations—are referred to collectively as "organizations" within this manual. This terminology encompasses the diverse entities engaged in not-for-profit healthcare fundraising.

By adhering to these standards and utilizing the guidance provided, professionals can enhance the credibility and effectiveness of their work, contributing to increased philanthropy and better serving the public interest.

# Chapter 1: Defining and Reporting Fundraising Revenue

## Introduction

Effective fundraising performance assessment requires both detailed and broad analyses to enhance program growth and achieve fundraising goals that support patient and community services. It's essential to separate fundraising revenues and expenses to accurately evaluate individual program effectiveness and overall financial health.

Since 2003, AHP's reporting standards, definitions, and metrics have aimed to:

- Ensure comprehensive reporting of all fundraising revenues.
- Include both anticipated and secured revenue for a full view of fundraising performance.
- Offer detailed analyses at the program level.
- Assign costs directly related to fundraising efforts.
- Provide overall performance insights by combining revenue and expense data.
- Examine practices and activities that impact results.
- Address factors affecting net returns across various programs.

This chapter outlines AHP's specific definitions and standards for reporting fundraising revenue.

## Recorded Revenue and Production Revenue

When reporting fundraising revenue for AHP's Performance Benchmarking Service, it's crucial to distinguish between two types of revenue: "Recorded Revenue" and "Production Revenue." Reporting must adhere to these classifications to ensure accurate financial tracking and analysis.

**Recorded Revenue:** This category includes all new gifts that are recognized in the current reporting year according to Generally Accepted Accounting Principles (GAAP). It encompasses a variety of gift types, including cash, securities, non-cash contributions like personal and real property, unconditional pledges, and irrevocable bequests. Recorded Revenue is reported at the net fair market value (FMV) at the time of the gift.

**Production Revenue:** A more comprehensive measure, Production Revenue

encompasses all Recorded Revenue plus additional new commitments made within the reporting year that cannot be recognized under GAAP due to their revocable and/or conditional nature. This includes, but is not limited to, conditional pledges or revocable bequests. Production Revenue provides a fuller picture of total fundraising efforts by including both bookable revenue and certain projected amounts that, while not bookable, represent potential future income.

The distinction between Recorded and Production Revenue underscores the different ways in which fundraising revenue can be measured and reported. Production Revenue is broader, capturing both the immediate financial contributions recorded in the fiscal period and the commitments that promise future financial support, reflecting a more inclusive view of an organization's fundraising success. *Figure 1* visually illustrates the types of gifts included in both Recorded Revenue and Production Revenue.

Figure 1



## Reporting Revenue by Fundraising Program

When reporting fundraising revenue, amounts are designated as either recorded revenue or production revenue and are allocated to the specific fundraising program responsible for raising the funds. AHP has defined several core fundraising programs commonly used across nonprofit organizations:

- **Annual Gifts:** Gifts of \$9,999 or less from individuals.
- **Major Gifts:** Gifts of \$10,000 or more from individuals.
- **Planned Gifts:** Gifts of any value from individuals made as part of an estate or financial plan.
- **Corporate/Business/Foundation Gifts:** Grants and gifts of any value from corporations, businesses, and foundations.
- **Governmental Grants:** Solicited funding of any value from local, state/provincial, and federal governmental sources.
- **Special Event Gifts:** Gifts of any value from any source received in conjunction with a fundraising event held and managed by the organization.

For these programs, organizations track various metrics, including:

- the number and total value of gifts received or pledged,
- the donor count, and
- the form of the contributions (e.g., gifts recorded, new pledges, pledge payments on prior years' pledges).

This data facilitates in-depth performance analysis and supports decision-making processes. More detail about reporting fundraising program activity can be found in [Chapter 3](#).

Revenue attribution distinguishes between gifts that are recorded as per GAAP (recorded revenue) and those secured but not yet recordable (production revenue). The following example shows how to report a pledge as recorded revenue or production revenue to the appropriate fundraising program.

### Example 1

Elsewhere Hospital Foundation secured an irrevocable pledged gift of \$22,500 (to be paid over three years) from Ms. Jane Smith. Ms. Smith made the pledge of \$22,500 via a written commitment in August.

Use the following three steps to allocate the gift:

- Identify the source of the gift: Ms. Smith → Individual
- Identify the amount of the gift: \$22,500 → Major gift
- Identify if recorded per GAAP: Yes → Recorded revenue

## Example 2

In that same year, Elsewhere Hospital Foundation received a documented \$15,000 revocable pledged gift from Mr. Bob Brown.

Use the following three steps to allocate the gift:

- Identify the source of the gift: Mr. Brown → Individual
- Identify the amount of the gift: \$15,000 → Major gift
- Identify if recorded per GAAP: No → Production revenue

# Chapter 2: Defining and Reporting Fundraising Expense

## Introduction

Accurate analysis of fundraising program performance requires detailed reporting of both revenue and expenses. Each expense must be allocated to the specific fundraising program where it was incurred.

Adhering to AHP's standards for expense reporting is crucial. This ensures that stakeholders, including donors, board members, and the public, receive a clear and truthful view of fundraising activities. Expense and revenue data are fundamental for calculating key performance benchmarks, such as return on investment (ROI), cost to raise a dollar (CTRD), and net fundraising returns. Inaccurate data can significantly affect these critical metrics.

## Expense Classification and Reporting

AHP's methodology for classifying and reporting expenses is shaped by both experience and the need for accuracy in line with GAAP.

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*Organizations must report all expenses related to fundraising, regardless of the payment source. This includes situations where a foundation or philanthropy department's expenses are subsidized by an operating grant from the healthcare organization it supports.*

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AHP categorizes expenses into four types:

1. **Direct Compensation Expense:** This includes all compensation for philanthropy/development officers who directly carry out fundraising programs, covering salaries, benefits, bonuses, and any other forms of compensation.
2. **Indirect Compensation Expense:** Compensation for staff who provide indirect support to fundraising activities, including salaries, benefits, bonuses, and other compensation.
3. **Non-compensation Expense:** All operational expenses related to philanthropy that do not fall under compensation, excluding non-philanthropy expenses

(see below for definition) and depreciation, which is considered an accounting entry rather than an actual expense.

4. **Non-philanthropy Expense:** Expenses unrelated to philanthropy operations, benefiting the supported organization but not the philanthropy department. These are excluded from the total fundraising expense calculation.

For AHP performance benchmarking, it is critical that applicable proportions of compensation are allocated appropriately to the philanthropy (both direct and indirect) and non-philanthropy categories.

*Figure 2* shows a representation of total fundraising expense. The total calculated fundraising expense is essential for deriving performance benchmarks such as ROI and cost to raise a dollar (CTRD), detailed in subsequent chapters.

*Figure 2*



## Compensation Expense

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*AHP reporting standards for compensation expense include salaries, benefits, bonuses, and any other compensation for both direct fundraising staff and indirect support staff. Include these compensation expenses regardless of the employment/staffing arrangement (for instance, even if employees are leased from the hospital to the foundation/philanthropy department).*

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**Direct Fundraising Staff:** These are frontline fundraisers, including roles such as:

- Chief philanthropy/development officers
- Vice presidents and directors of philanthropy/development
- Staff focused on annual, major, campaign, planned, corporate, governmental, and

special event gifts, as well as generalists.

**Indirect Fundraising Staff:** These staff members support fundraising indirectly and include roles such as:

- Support staff for chief philanthropy/development officers and vice presidents and directors of philanthropy/development
- Fundraising support
- Stewardship
- Grant writing
- Prospect research
- Marketing, communications, and public relations
- Finance (including CFO)
- Operations
- IT
- Data entry
- Gift receipting
- Data management and analysis
- Philanthropy/development coordinators
- Human resources
- Administrative and clerical support

For reporting purposes, include the following for each staff member:

1. **Full-Time Equivalent (FTE) Status:** Indicate whether staff are full-time (1.0 FTE), part-time (e.g., 0.5 FTE), or if their tenure covers only part of the year, adjust the FTE accordingly (e.g. a full-time staff member who joins or departs mid-year is considered 0.5 FTE for that year).
2. **Tenure:** Report the total time the staff member has spent in their position within the organization.
3. **Compensation:** Include the total compensation package, covering salary, benefits, bonuses, and any other forms of compensation.
4. **Time Allocation:** Estimate the portion of each staff member’s time dedicated to supporting each fundraising program and to direct fundraising versus indirect fundraising tasks.

## Non-compensation Expense

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*Non-compensation expenses encompass all non-labor costs related to philanthropy operations.*

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These expenses are included in performance benchmarks, regardless of the funding source (for example, even if the supported healthcare organization funds the expense). Examples of non-compensation expenses include:



- Professional fees (legal, accounting, etc.)
- Contracted services (consulting)
- Travel expenses
- Dues, subscriptions, and memberships
- Software subscriptions and maintenance
- Rent and occupancy costs
- Office supplies
- Printing, postage, and mailing costs
- Cultivation expenses

## Non-philanthropy Expense

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*Non-philanthropy expenses include costs that do not directly support fundraising activities and are therefore excluded from AHP performance metrics like return on investment and cost to raise a dollar.*

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These expenses encompass staff time and other expenditures unrelated to philanthropy efforts. Examples include:

- Administrative duties unrelated to philanthropy (e.g., managing the gift shop, overseeing community benefit, participating in hospital service excellence initiatives),
- Participation in community activities not linked to philanthropy (e.g., board service, service club memberships),
- Speaking engagements not focused on philanthropy,
- Hospital rounds or on-call duties, and
- Advertising and sponsorships paid for by the philanthropy department but benefiting the hospital directly.

## AHP and GAAP Accounting Standards

This section outlines how AHP's standards align with those of the International Accounting Standards Board (IASB), useful for collaboration and communication with CFOs.

The United States and Canada follow international GAAP principles such as regularity, consistency, sincerity, prudence, continuity, periodicity, and good faith. Further details on these principles can be found at [the IFRS website \(ifrs.org\)](https://www.ifrs.org).

## Statement of Activities Categories

Organizations, regardless of size, prepare budgets to forecast and track revenue and expenses for a financial year. The Financial Accounting Standards Board (FASB) identifies each item in an organization's statement of activities under these categories:<sup>1</sup>

1. **Revenues** are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities. Revenues can come from various sources such as cash, stock, pledges, or real estate, and may be current or deferred.
2. **Expenses** are outflows of assets of an entity or incurrences of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities. Examples include staff compensation, supplies, consulting services, and printing costs.
3. **Gains** are increases in equity (net assets) from transactions and other events and circumstances affecting an entity except those that result from revenues or investments by owners.
4. **Losses** are decreases in equity (net assets) from transactions and other events and circumstances affecting an entity except those that result from expenses or distributions to owners.

## IRS Expense Allocation Categories

The IRS requires U.S. organizations to categorize expenses on Form 990 into three functional categories:

1. **Program Service Expense:** Costs directly supporting the organization's exempt purposes, excluding fundraising expenses. For example, grants to researchers for a nonprofit focused on cancer cure development are considered program service expenses, as are transfers to supported organizations.
2. **Management and General Expense:** Expenses related to the overall operations and management of the organization, such as rent, equipment,

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<sup>1</sup> Financial Accounting Standards Board. (2021) Statement of Financial Accounting Concepts No. 6—Elements of Financial Statements. Retrieved April 9, 2024. From [https://www.fasb.org/page/ShowPdf?path=Concepts\\_Statement\\_8-Chapter\\_4-Elements.pdf](https://www.fasb.org/page/ShowPdf?path=Concepts_Statement_8-Chapter_4-Elements.pdf)

and accounting, legal, and consulting fees. These do not include costs associated with fundraising or program services.<sup>2</sup>

3. **Fundraising Expense:** Costs incurred in encouraging donations, including publicizing and conducting fundraising campaigns, soliciting grants and bequests, preparing and distributing fundraising materials, and organizing special events that generate contributions.

Expenses for activities with both fundraising and other purposes, like an educational mailing that also solicits donations, may be allocated between fundraising expense and program service expense following guidelines such as those in AICPA's [SOP 98-2](#).<sup>3</sup>

Organizations are encouraged to follow consistent reporting guidelines as advised by AHP. Philanthropy executives should discuss with CFOs and auditors how fundraising activities and expenses are budgeted and reported,<sup>4</sup> including specific categorization in the Chart of Accounts, to ensure clear and consistent expense reporting. Conversations should aim to clarify and agree on practices for accurate reporting of fundraising expenses, as outlined in AHP standards.

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<sup>2</sup> Management and general expenses typically include salaries and expenses of the primary executives of an organization, such as the board, executive director, and supporting staff, including accounting departments.

<sup>3</sup> American Institute of Certified Public Accountants. (1998). Statement of Position 98-2 Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising. Retrieved April 9, 2024. From <https://www.fasb.org/page/ShowPdf?path=SOP%2098-2.pdf>.

<sup>4</sup> Including in public information returns (IRS Form 990 in the United States, or the applicable CRA Form T3010 in Canada)

# Chapter 3: Performance and Activity Measures

## Introduction to Fundraising Program Activity Tracking

Tracking fundraising activities, beyond just revenues and expenses, is crucial for evaluating program performance. This includes monitoring staff workload, performance metrics, and donor response rates across various fundraising programs: annual gifts, major gifts, planned gifts, corporate/business/foundation gifts, governmental grants, and special event gifts.

### Annual Gifts

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*AHP defines annual gifts as gifts of \$9,999 or less from individuals.*

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For tracking annual gifts (sometimes called the annual fund), key metrics include:

- Total number of donors,
- Number of gifts per appeal type, and
- Total funds raised per appeal type.

Types of appeals for annual gifts include:

- Acquisition direct mailings, including grateful patient mailings,
- Renewal direct mailings,
- Direct mailings to lapsed donors,
- Telemarketing solicitations,
- Online solicitations,
- Gift club solicitations, and
- Raffles, drawings, or other games of chance.

### Major Gifts and Corporate/Business/Foundation Gifts

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*AHP defines major gifts as gifts of \$10,000 or more from individuals.  
Corporate/business/foundation gifts are defined as grants and gifts of any value from corporations, businesses, and foundations.*

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Activity tracking for major gifts and corporate/business/foundation gifts focuses on:

- Number of prospects per gift officer,
- Number of personal cultivation meetings (virtual or in person),
- Number of formal proposals and personal solicitations (combined), and
- Number of gifts secured in response to proposals and solicitations.

These metrics help assess staff effectiveness and donor response rates and give insight into the power of the case, the quality of the appeal, and the gift readiness of the community.

For organizations that do not track major and corporate/business/foundation gifts separately, data managers are encouraged to track them as a combined figure.

## Planned Gifts

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*Planned gifts are gifts of any value from individuals made as part of an estate or financial plan.*

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For planned gifts, start with tracking professional community contacts such as attorneys, CPAs, trust officers, and insurance agents. Organizations should record:

- Total planned gift proposals made and
- Number of documented planned gifts secured.

This tracking helps assess activity levels and response rates, contributing to an understanding of production revenue annually.

AHP also suggests reporting on solicitation and education efforts, including:

- Formal marketing campaigns (e.g., direct mail),
- Seminars for donors and professionals,
- General marketing and prospecting (e.g., advertisements, publications),
- Digital marketing (e.g., website), and
- Other mailing initiatives.

## Governmental Grants

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*AHP defines governmental grants as solicited funding of any value from local, state/provincial, and federal governmental sources.*

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When documenting fundraising revenue from governmental agencies (local, state/provincial, and federal), ensure to report **only** the funds directly cultivated and secured by the philanthropy department. *Revenue obtained by medical staff or hospital administrators without philanthropy involvement should not be included in AHP-standard reports.*

Specifically, for the United States, National Institutes of Health (NIH) grants can be reported if the philanthropy team played a role in obtaining the grant and the organization benefits directly from the grant, not the donor.

Include in reports:

- Grants, contracts, and cooperative agreements from governmental agencies.

Exclude from reports:

- Grants, contracts, and cooperative agreements from public or private foundations (these should be categorized under Corporations/Businesses/Foundations).

## Special Event Gifts

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*Special event gifts are defined as gifts of any value from any source received in conjunction with a fundraising event held and managed by the organization.*

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AHP categorizes special event gifts as those received in conjunction with events held and managed by the organization for fundraising, awareness building, or constituency expansion. Special events vary widely and include:

- **Highly structured events**, such as galas, dinners, balls, and fashion shows;
- **Sporting events**, including golf outings and tennis tournaments; and

- **Large-scale community-based events** like runs, walks, and bike tours.

These events contribute to performance tracking complexity as they often involve diverse gift types, including in-kind donations, auction items, ticket sales, and traditional gifts or pledges.

To effectively analyze and report on each type of event, organizations should document:

- The number of events held,
- Attendance figures,
- The total gifts secured,
- Gross revenue generated by the event,
- Associated event expenses, and
- Net event revenue, calculated as gross revenue minus expenses.

This structured approach enables a comprehensive assessment of each event's appeal, participant response rates, and overall financial and engagement impact.

## Donor Constituencies

Tracking and reporting gifts by donor constituency are crucial for monitoring the growth of donor pools and understanding the commitment levels of key groups. Donor constituencies to report include:

- Employees (including affiliated physicians),
- Hospital executives,
- Board members,
- All other individual donors,
- Hospital volunteer organizations (auxiliaries), if incorporated separately,
- Governmental agencies,
- Corporations/businesses and their foundations,
- Non-corporate foundations,
- Private and family foundations, and
- Other support groups (e.g., gift clubs, guilds, United Way).

Attributing gifts can be complex for donors belonging to multiple constituencies, such as physicians who also serve on foundation or system boards. AHP standards permit counting such individuals in more than one constituency to capture the full scope of internal commitment and support for the organization's mission.

Track and report the following for internal donor-types, regardless of category overlaps:

- Executives and senior management,
- Directors and above, and
- Foundation and health system/entity board members.

Report for each category:

- Total number of individuals,
- Number of donors, and
- Total production revenue.

Where applicable, include gifts recorded, bookable pledges, letters of intent, planned gifts, and special event gifts.

Understanding donor constituency reporting aids in developing metrics for transparency, accountability, and performance enhancement, as further detailed in subsequent chapters.



# Chapter 4: Gift Types, Restrictions, and Exclusions

To effectively analyze and enhance fundraising performance, organizations need to adhere to uniform definitions and reporting methodologies. Consistent reporting eliminates variability in gift classifications and practices across different organizations.

This section offers guidance on:

- Reporting gifts from various donor constituencies,
- How to classify and count gift restrictions, and
- Exclusions in reporting.

By standardizing these aspects, organizations can ensure comparability and improve overall fundraising strategies.

## Gift Types and Reporting Sources

### Cash, Checks, and Credit Cards

For non-deferred gifts of cash or checks:

- Use the postmark date for gifts received via postal mail.
- Use the receipt date for gifts delivered by other methods.
- For credit card gifts, report on the date the charge was authorized by the credit card agency.
- For gifts in foreign currencies, report the amount based on the exchange rate on the date of receipt.

In the United States, the IRS provides guidance on these requirements in [IRS Publication 526](#).<sup>5</sup> The date used for reporting should be the same as the date used for accounting purposes.

In Canada, the CRA provides guidance on these requirements in [Income Tax Folio S7-F1-C1](#).<sup>6</sup>

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<sup>5</sup> <https://www.irs.gov/forms-pubs/about-publication-526>

<sup>6</sup> <https://www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/income-tax-folios-index/series-7-charities-non-profit-organizations/series/income-tax-folio-s7-f1-c1-split-receipting-deemed-fair-market-value.html>

## Pledges

The value of a pledge is recognized at the gross amount promised. For inclusion in production revenue calculations, the full gross amount of a pledge can only be counted if it is to be fulfilled within five years. Pledges are accounted for in production revenue in the year they are acquired; payments made on pledges are not included in production revenue calculations.

## Counting and Reporting Gifts from Various Sources

When counting and reporting gifts, it is crucial to credit the gift to the correct legal entity. For instance, a gift from a company must be credited to the corporation itself, not to the owner of the company, even if the owner directed the gift. Similarly, gifts from a board member's donor-advised fund or private foundation should be credited to the entity managing the funds, such as Fidelity, Schwab, or a local community foundation, rather than the individual board member.

## Checks Issued by Other Entities

Sometimes, a company may issue a check on behalf of individual employees, sometimes through payroll deductions. These should be credited to the employees individually. If someone directs an honorarium or stipend to a charity, the gift should be credited to the individual directing the gift, not the issuing entity.

## Matching Gifts

Many corporations match gifts made by their employees to charities. Such matching gifts should be credited to the corporation, while the original gift from the employee is credited to the individual.

## Auxiliaries and Guilds

Gifts from auxiliaries and guilds that are separately incorporated should be credited to the auxiliary or guild itself. If these groups are not separately incorporated, credit the gifts to the individuals making the donations.

## Donor-Advised Funds

A donor-advised fund is a fund established within a public charity, trust, or other organization (e.g., Fidelity, Schwab, a local community foundation) to which the donor has made a gift and already taken an immediate tax deduction (a tax credit in Canada).

The public charity, trust, or other organization holds the funds in a special account, in the name of the donor, and makes donations to recipient organizations when recommended by the donor (importantly, if the public charity, trust, or other organization agrees to follow the recommendation).

Since the donor has given up ownership of the asset for tax purposes, the gift is not tax deductible again at the time it is given to the recommended recipient organization. For recorded revenue purposes, any gifts received from donor-advised funds should be reported as a gift from a foundation. It is common practice also to soft-credit the individual donor for recognition purposes, but the actual gift is from the custodian of the donor-advised fund. For production revenue purposes, any gifts received from donor-advised funds should be reported as a gift from an individual. This recognizes that the individual is a critical part of the cultivation process. Gifts from donor-advised funds should not be applied to pledges unless the donor-advised fund, and not the individual, has made the pledge.

## Gift Restrictions

### Donor Control

Once a gift is accepted by an organization, the donor cannot retain control over its use. While donors can restrict gifts to specific departments or purposes (restricted gifts), they cannot have a decision-making role or the ability to revoke the gift once given.

### IRS and CRA Guidelines

Detailed guidelines on what constitutes a charitable gift are outlined in [IRS Publication 526](#),<sup>7</sup> "Charitable Contributions," for the United States, and in [CRA Publication 113](#),<sup>8</sup> "Gifts and Income Tax," for Canada.

## Corporate/Business Sponsorships vs. Advertising

Sponsorships provide a way for businesses to support charitable activities while gaining marketing visibility. In the United States, the IRS clearly distinguishes between sponsorships and advertising. According to [IRS regulations T.D. 8991](#),<sup>9</sup> sponsorships can include logos and slogans that do not contain qualitative or comparative descriptions of

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<sup>7</sup> <https://www.irs.gov/pub/irs-pdf/p526.pdf>

<sup>8</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/p113.html>

<sup>9</sup> Internal Revenue Service. (2002). TD 8991 Taxation of Tax-Exempt Organizations' Income from Corporate Sponsorship. Retrieved on April 15, 2024, from <https://www.irs.gov/pub/irs-regs/td8991.pdf>

the sponsor's products, services, facilities, or company. They may also list the sponsor's locations, contact numbers, or internet addresses, and mention brand or trade names along with product or service listings without promoting or endorsing them. These are not considered advertising and are permissible within a sponsorship.

On the other hand, advertising is characterized by messages that promote or market a trade or business, or any service, facility, or product. Advertising typically includes qualitative or comparative language, price information, endorsements, or inducements to purchase, which are not allowed in sponsorships.

In Canada, the CRA does not explicitly differentiate between sponsorships and advertising as the IRS does, but fundraising professionals are encouraged to consult the CRA's guidelines for details on permissible activities.

Corporate sponsorship contributions are fully reportable as gifts if they adhere to the above guidelines and do not return significant value to the donor. If there is a return benefit to the sponsor, such as receiving tickets to a sponsored event, the value of the benefit must be deducted from the total sponsorship amount when reporting revenue and issuing receipts. For example, if a corporation sponsors an event for \$5,000 and receives benefits valued at \$500, the reportable amount would be adjusted to \$4,500. This ensures transparency and compliance with tax regulations regarding charitable contributions.

## Special Event Contributions (Quid Pro Quo Contributions)

In the United States, the IRS defines [quid pro quo contributions](#)<sup>10</sup> as payments made to a charity that are partly a contribution and partly for goods and/or services received in return. For IRS Form 990 reporting, only the portion of the quid pro quo contribution that exceeds the value of the benefits received should be reported as a donation.

For example, if a donor contributes \$100 and receives a concert ticket valued at \$40, the actual charitable contribution is \$60. Organizations must provide a disclosure statement to the donor for any quid pro quo contribution over \$75, even if the deductible amount is under \$75, to comply with IRS regulations. Failure to provide this disclosure can result in penalties. For more details, refer to [IRS Publication 526](#)<sup>11</sup> and

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<sup>10</sup> <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-quid-pro-quo-contributions>

<sup>11</sup> <https://www.irs.gov/pub/irs-pdf/p526.pdf>

IRS Publication 1771<sup>12</sup> on charitable contributions.

In Canada, the CRA uses [split receipting](#)<sup>13</sup> to determine the eligible amount for receipting when a donor receives an advantage in exchange for their donation. The value of the advantage must be deducted from the total donation amount to calculate the eligible amount for receipting. Further information about [issuing receipts](#)<sup>14</sup> and [examples of donation receipts](#)<sup>15</sup> under this method can be found on the CRA's website.

## Special Event Contributions (Auction Items)

In the United States, organizations holding auctions or other special events should adhere to the standards for recording quid pro quo contributions. During an auction, two opportunities for charitable donations typically arise:

1. **Donation of auction items:** The original donor of an auction item makes a charitable donation equivalent to the item's fair market value.
2. **Purchases above fair market value:** The amount paid by the winning bidder that exceeds the fair market value of the auctioned item can also be considered a charitable donation from the bidder.

It's important to note that gifts of services (e.g., a massage voucher) or partial interests (e.g., use of a vacation home for a week) can be reported as fundraising revenue, but they are not tax-deductible for the donor.

In Canada, organizations should comply with the CRA's general guidelines for reporting contributions received through auctions and other fundraising events.

## Marketable Securities

Marketable securities encompass a range of financial instruments, including equity securities like common stocks and mutual funds, derivative contracts such as futures, options, and swaps, as well as debt securities including banknotes, bonds, and debentures.

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<sup>12</sup> <https://www.irs.gov/pub/irs-pdf/p1771.pdf>

<sup>13</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/split-receipting.html>

<sup>14</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/fundraising-events-issuing-receipts.html>

<sup>15</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/sample-official-donation-receipts.html>

In the United States, organizations should report the value of marketable securities based on the average of the high and low quoted selling prices on the date when the donor legally relinquishes control of the securities.

In Canada, the valuation should be based on the closing market price on the date when legal control is transferred to the organization. For detailed tax implications and rules on securities delivery, refer to the CRA's in [Publication 113](#).<sup>16</sup>

Delivery is confirmed when ownership passes to the organization, such as when a stock certificate is handed over to an organizational employee or when shares are transferred into the organization's brokerage account. This date is crucial, particularly during significant stock market fluctuations or at year-end.

## Real Property

Gifts of real property include primary residences, vacation homes, farms, ranches, commercial buildings, apartment buildings, subdivision lots, or land.

In the United States, donors must have real property gifts appraised by a qualified appraiser unrelated to the transaction, donor, or recipient organization. The appraised value determines the valuation for reporting purposes, and the gift is recorded on the date it is officially received. For tax acknowledgment, the IRS requires that the gift be described but not valued in the acknowledgment. Real property gifts can be made outright, as a bargain sale, or as an undivided partial interest.

In Canada, the transfer of real property is considered complete when the deed conveying the property to the organization is signed and delivered. A receipt suitable for income tax purposes may be issued based on the fair market value determined by a qualified appraiser.

## Personal Property

Personal property encompasses all items that are not real property, including tangible and intangible assets. Tangible personal property includes:

- Medical and other equipment;
- Personal collections of art, books, coins, or movies;
- Vehicles such as cars, boats, and aircraft;
- Securities;

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<sup>16</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/p113.html>

- Printed materials; and
- Food.

Intangible personal property assets include:

- Copyrights of cultural, artistic, and literary works;
- Trademarks;
- Software; and
- Life insurance policies.

If items can be used by the organization (e.g., a piece of equipment), the charitable deduction to the donor is the item's fair market value. For items that cannot be used directly by the organization (e.g., a piece of jewelry), the deduction is the item's cost basis. Acknowledging non-cash gifts involves describing the non-cash gift but not including a value on the acknowledgment for the donor's tax purposes.

For tax reporting in the United States, donors must file [IRS Form 8283](#)<sup>17</sup> for non-cash gifts totaling more than \$500 in a tax year. If a non-cash item, other than securities, is valued over \$5,000, Part IV of Form 8283 must be acknowledged by the organization. If the organization disposes of the donated item within three years, it must file [IRS Form 8282](#)<sup>18</sup> to report the disposition.

## Contributed Time and Services

Organizations may report certain contributions of professional time and services as fundraising revenue per GAAP if the time or services:

- Create or enhance a non-financial/non-monetary asset (for example, property and equipment) or would typically need to be purchased if they had not been provided by contribution;
- Require specialized skills; and/or
- Are provided by individuals with those specialized skills (such as accounting, financial, construction, educational, electrical, legal, medical, and other services provided by accountants, investment advisors, contractors, teachers, electricians, lawyers, doctors, and other professionals and craftspeople).

If such contributions are reported, they should be measured at fair market value. It is important to note that contributed time and services are not tax deductible to the donor.

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<sup>17</sup> <https://www.irs.gov/forms-pubs/about-form-8283>

<sup>18</sup> <https://www.irs.gov/forms-pubs/about-form-8282>

## Revocable Planned Gifts

Revocable planned gifts are those made through arrangements that are not legally binding and, therefore, can be altered or canceled by the donor. As such, these gifts are not reported as recorded revenue according to GAAP since they are not officially recorded until the gift becomes irrevocable. However, they are included in production revenue to reflect potential future benefits.

In the United States, examples of revocable planned gifts include charitable remainder trusts where the gift is irrevocable, but the donor retains the right to change the beneficiary charity, making the trust revocable in terms of the charitable beneficiary (the “remainderman”). Another common example is bequest expectancies, where donors can change their designated beneficiaries at any point until their death.

In Canada, revocable gifts commonly take the form of bequest expectancies tied to specific financial instruments such as Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), and Tax-Free Savings Accounts (TFSA). Life insurance policies with beneficiary designations that remain under the ownership of the donor also fall into this category.

## Irrevocable Planned Gifts

Examples of irrevocable planned gifts include charitable remainder trusts, charitable lead trusts, charitable gift annuities, and pooled income funds. These gifts represent a commitment that cannot be altered by the donor after the agreement is finalized, providing a reliable future asset for the receiving organization.

In the United States, irrevocable planned gifts were structurally defined by the Tax Reform Act of 1969, which established mechanisms for donors to make gifts of “future interests” while receiving tax deductions for both income and estate taxes. For internal reporting purposes, gifts using these mechanisms should be reported as “production revenue” at their net present value. Similarly, for AHP benchmarking, these deferred amounts are also reported at net present value.

The tax deduction for these gifts depends on:

- The actuarial life expectancy of the income beneficiaries, if the payments are to continue for life or for a specified term.
- The specified rate of return paid to the income beneficiaries.



Except in rare circumstances, the tax deduction is equal to the net present value of the gift, which the organization records as an asset upon the completion of the irrevocable trust. This net present value is what should be included in production revenue reporting.

In Canada, for similar irrevocable planned gifts, organizations may issue a donation receipt for the net present value of the remainder interest.

## Charitable Remainder Trust (CRT)

In the United States, CRTs are financial instruments where a donor establishes and funds a trust with specified distributions to be made to one or more designated beneficiaries over the term of the trust. There are two primary types of CRTs, distinguished by the method of distribution.

In a Charitable Remainder Unitrust (CRUT), the annual distribution to the beneficiary is recalculated each year based on a fixed percentage of the fair market value of the trust's assets, assessed annually. This means that the payout amount can vary each year depending on the trust's investment performance. Alternatively, if the distributions are a fixed amount annually regardless of changes in asset value, it is known as a Charitable Remainder Annuity Trust (CRAT). After the term of the trust expires, the remaining assets are donated to a designated charity.

To report fundraising revenue from a charitable remainder trust as a planned gift, the trust must be irrevocably established for the benefit of a charity, and a portion or the entire irrevocable remainder interest must also be irrevocably assigned to the organization. This means the trust agreement cannot contain provisions that allow the donor to change or amend the beneficiary organization. If the trust agreement does not specify otherwise, the named beneficiary or beneficiaries are considered irrevocable.

## Charitable Gift Annuity (CGA)

A Charitable Gift Annuity (CGA) is a financial agreement between a donor (or donors) and a charity, such as a hospital, hospital system, or foundation. The donor provides a gift in the form of cash or marketable securities on a specific date. In exchange, the charity agrees to pay the donor a fixed sum annually for the remainder of their life.

In the United States, the payout rate offered by the charity is typically based on the

standardized rates established by the American Council on Gift Annuities.<sup>19</sup> For production revenue reporting, organizations should use the net present value of the CGA as determined by IRS regulations at the time the gift agreement is executed.

In Canada, the payout rates for CGAs are determined based on annuity quotations from life insurance companies, particularly when the gift annuities are reinsured. The charitable gift value to the donor is calculated by deducting the net present value of the annuity's liability to the annuitant from the total assets transferred to the organization at the time the contract is established.

## Charitable Lead Trust (CLT)

A Charitable Lead Trust (CLT) in the United States is established when a donor places assets into a trust for a specific amount of time or for the duration of their life. Throughout the trust's term, income generated from these assets is paid to one or more designated qualified charitable organizations. At the end of the term, or upon the donor's death, the assets are either returned to the donor (in a grantor trust) or passed on to heirs or other beneficiaries (in a non-grantor trust). The choice between creating a grantor or non-grantor trust depends on the donor's specific goals and objectives. A CLT can be set up either as a charitable lead annuity trust, which pays a fixed income, or as a charitable lead unitrust, which pays an income that varies based on the trust's asset value.

## Charitable Trusts Administered by Third Parties

A wholly charitable trust is a legal entity created solely for philanthropic purposes, with both its income and principal irrevocably dedicated to charitable activities. When such trusts are managed by external third-party trustees, the organization should count and report the funds transferred into the trust by the trustor, provided these are irrevocably meant for the organization. These contributions should be recorded as recorded revenue in the year the trust is established if the organization has a documented, irrevocable right to all or a predetermined portion of the trust's income. If the right to the income is revocable, the revenue should be classified as production revenue.

If an organization is entitled to receive only a portion of the trust's income, the reported amount should be the specified percentage to be distributed to the organization multiplied by the total current market value of the assets in the trust.

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<sup>19</sup> <https://www.acga-web.org/current-gift-annuity-rates>

## Pooled Income Fund (PIF)

A pooled income fund (PIF) is a type of trust maintained by a public charity that pools contributions from multiple donors for investment. Each donor receives "units of participation" proportionate to their contribution relative to the total fund value at the time of their donation. PIFs allow donors to receive a share of the fund's income for life, with all income distributed annually to the donors. The tax deduction available for contributions to a PIF depends on the age of the income recipients, the net fair market value of the transferred property, and the fund's performance over the previous three years.

## Life Estates (US) and Gifts of Residual Interest (Canada)

Life estates enable donors in the United States to contribute a single-family residence or farm to a charitable organization while retaining the right to occupy the property for the remainder of their lives, often for themselves or a relative. This arrangement is ideal for those planning a significant bequest of their home or farm to charity, as it allows them to claim a tax deduction for a portion of the property's value immediately. The donor, or life tenant, is typically responsible for ongoing costs such as real estate taxes and maintenance.

In certain cases, the remainder value of the property can be used to fund a charitable gift annuity, with the charity designated as the "remainderman" of the life estate, similar to a charitable reverse mortgage.

In Canada, these arrangements are referred to as gifts of residual interest. Like charitable remainder trusts, a gift of residual interest involves the donor transferring a future interest while retaining a present interest. This often occurs when a principal residence is transferred but the donor retains possession. The recipient organization gains a remainder interest, whereas, in a charitable remainder trust, the organization receives a residual interest. The donor is eligible for a donation receipt for the present value of the residual interest, which can be used for income tax purposes.

## Life Insurance Policies

Organizations should only report gifts of whole life insurance policies as donations if the donor designates the organization as both the owner and beneficiary of the policy. If the organization is aware of the specific amount designated, it is appropriate to report this as a planned gift under both recorded and production revenue.

If the organization is named only as a beneficiary and not the owner, it should report the full amount received from the insurance company upon the donor's death as a gift on the date the proceeds are received.

Organizations in the United States should adhere to the following standards in reporting gifts involving life insurance policies:

- Report fully or partially paid-up life insurance policies as outright gifts at their cash surrender value, as provided in writing by the insurance provider.
- For policies that are new or not fully paid up at the time of the gift, report any premium payments made by the donor directly to the insurer, or to the organization which then pays the insurer, as outright gifts valued at the full amount of the premiums paid. This aligns with IRS regulations that recognize such payments as tax-deductible contributions.
- If the donor ceases to make scheduled premium payments and the organization covers them, these payments should be classified as operating expenses and not counted as gifts.
- Only report realized death benefits as gift income if the organization has not previously recorded the policy's value or any donor-paid premiums as gift income, and if the organization has not been paying the premiums.

Organizations in Canada should adhere to the guidelines outlined in CRA's [Interpretation Bulletin IT-244R3](#)<sup>20</sup> to determine the value of a life insurance policy used to fund a gift. When an individual transfers ownership of an existing policy to a charity, the individual is entitled to a donation receipt for the value of the policy. A [CRA technical interpretation](#)<sup>21</sup> (Document Number 2008-026709, dated Feb. 25, 2008) clarifies that in determining the policy's value, factors beyond the cash surrender value should be considered in keeping with paragraphs 40 and 41 of [Tax Information Circular IC 89-3](#).<sup>22</sup> These include:

- Cash surrender value,
- Loan value of the policy,
- Face value (death benefit),
- The insured's health and life expectancy,

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<sup>20</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/it244r3.html>

<sup>21</sup> <https://taxinterpretations.com/cra/severed-letters/2008-0267091e5>

<sup>22</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/ic89-3/policy-statement-on-business-equity-valuations.html>

- Conversion privileges,
- Other policy terms such as term riders, and
- Replacement value.

These factors help ensure that the real value of the policy, which might be influenced by variables such as the insured's shorter-than-expected life expectancy, is accurately assessed and reported.

## Bargain Sales

In the United States, individuals can support an organization by engaging in a transaction known as a bargain sale. This occurs when a donor sells real or personal property to a charitable organization for 50 percent or less than its fair market value, often 50 percent or less. For instance, if a person owns a home valued at \$100,000, they may choose to sell it to the organization for \$50,000. The donor is then eligible for a tax deduction for the difference between the sale price and the property's appraised value.

For organizations entering into such transactions, it is crucial to verify the authenticity and timeliness of the property appraisal. Moreover, confirming the donor's intent to make a charitable contribution through the sale is essential. Documentation from the donor stating their intention to sell at a discounted price must be obtained before the transaction. Without this, courts could interpret the transaction as a standard market negotiation, viewing any discount as a result of poor bargaining rather than charitable intent.

The difference between the price paid and the fair market value of the property can be recorded as revenue by the organization. For tax purposes, if the contribution value exceeds \$5,000, it must be supported by an appraisal that confirms the property's fair market value.

## Reporting Exclusions

According to AHP standards, the following items should not be reported for AHP Benchmarking Survey purposes:

- **Government contracts or research grants:** Do not report unless the foundation or philanthropy department played a material role in securing the grant.

- **Agency transactions:** Exclude situations where the organization acts merely as a pass-through entity, forwarding funds to another organization.
- **Advertising revenue:** This includes any income derived from qualitative or competitive pricing, product information due to a donation, or any endorsement by the host organization, as defined by the IRS.
- **Previously reported gifts and pledges:** Avoid reporting gifts and pledges, both outright and deferred, that have been booked and counted in previous reporting years.
- **Investment income:** Do not include income earned from investments.
- **Contract revenues:** Exclude revenues from contracts where the benefit primarily accrues back to the donor.
- **Discounts on purchases:** Do not report common discounts on bulk supplies; however, differentiate from bargain sales, which are countable as gifts.
- **Earned income:** Exclude income from transfer payments from medical practice plans or other revenue-generating programs or businesses affiliated with the organization.
- **Endowment management expenses:** Do not report expenses related to managing endowments, investments, and charitable gift annuities.

# Chapter 5: Using Metrics to Communicate Effectiveness

## Performance Metrics in Healthcare Philanthropy

The public sector has seen a significant shift toward performance measurement, with organizations from federal government agencies to small nonprofits adopting data-tracking mechanisms and performance metrics, and healthcare philanthropy is no exception. This approach, often referred to as benchmarking, helps bridge the gap between concepts and performance, providing a platform for philanthropy leaders to engage in meaningful dialogue with executives, board members, and donors.

However, the adoption of performance metrics must be thoughtful. Overemphasis on complex data can overwhelm and detract from strategic objectives.

## Importance of Comparison Data

Metrics provide a common language for communicating results within and outside the philanthropy organization, but they must be calculated using the AHP standards outlined in [Chapters 1, 2, and 3](#) to ensure their validity and comparability. They should also be paired with peer comparisons whenever possible to provide context, such as those available in the [AHP Report on Giving](#),<sup>23</sup> helping executives understand how their organization compares to others in the field.

Organizations often display performance metrics against a small group of similar organizations. For example, a community hospital with net fundraising revenue of \$2 million and two full-time equivalent employees (FTEs) may choose to present a report with its data compared with only community hospitals with one to three FTEs and net fundraising revenues ranging between \$1 million and \$3 million.

*Figure 3* presents a sample dashboard where a foundation is compared against a peer comparison group.

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<sup>23</sup> <https://www.ahp.org/resources-and-tools/report-on-giving-benchmarking>

Figure 3

	Total Production Revenue	Total Fundraising Expenses	Net Fundraising Revenue	Return on Investment	Cost to Raise a Dollar
<b>ABC Hospital Foundation</b>	\$13.8 M	\$2.1 M	\$11.9 M	\$6.19	\$0.18
25 <sup>th</sup> Percentile	\$1.5 M	\$522 K	\$1.0 M	\$2.53	\$0.16
50 <sup>th</sup> Percentile	\$6.9 M	\$1.6 M	\$4.5 M	\$4.06	\$0.25
75 <sup>th</sup> Percentile	\$22.2 M	\$3.7 M	\$19.4 M	\$6.25	\$0.39

## Importance of Narrative

The exposure of hospital and system chief executives to the world of fundraising has been one of the most positive outcomes of adopting performance metrics. Chief philanthropy officers often use performance figures as a starting point for discussions, helping leaders understand everything from financial nuances to relationship-building aspects of fundraising.

Using performance data effectively involves more than just presenting numbers; it requires crafting a narrative that explains the context and implications of the data. A narrative that explains the foundation's current position and future goals can enrich the data, helping to build a compelling story for resource allocation and support to enhance philanthropy.

It is also essential that data presentation is tailored to the cultural and informational needs of each organization and audience. Leaders are encouraged to consider their unique organizational context when sharing results and devising communication strategies. In most cases, “less is more,” and the information should be carefully targeted to the audience’s areas of focus. When reporting to executives, if data does not provide timely intelligence related to strategic organizational goals and objectives, then it becomes background noise, and the CPO quickly loses a seat at the decision-making table.

## Reporting Overall Performance

AHP recommends tracking specific dashboard metrics to gauge fundraising performance



and impact, based on accurate and standardized reporting of fundraising revenue and expenses. These metrics, which are vital at both the overall and specific program levels, include:

- **Total Fundraising Revenue:** It is important to track both production and recorded revenue to gain a comprehensive understanding of fundraising efforts, capturing both the potential future benefits of pledged contributions and the actual cash inflows realized.
- **Total Fundraising Expenses**
- **Net Fundraising Returns (NFR):** This represents the net funds available to support the organization's mission after expenses, calculated by subtracting fundraising expenses from fundraising revenue.
- **Net Fundraising Returns per Direct Fundraising FTE:** This is a measure of fundraising productivity. It is calculated by dividing net fundraising returns by the total number of individuals performing front-line fundraising activities.
- **Return on Investment (ROI):** This metric assesses fundraising effectiveness by calculating the dollars returned for each dollar spent. It is determined by dividing fundraising revenue by fundraising expenses.
- **Cost to Raise a Dollar (CTRD):** This measures fundraising efficiency by showing the cost incurred to raise each dollar. It is calculated by dividing fundraising expenses by fundraising revenue.

There is no one benchmark for these metrics that will apply in all cases, and even within a single organization these metrics can and do vary from year to year. Variations in these metrics occur due to factors like the type and number of organizations supported (community, academic, children's hospital, etc.), economic conditions, the size and maturity of the donor pool, the number and age of fundraising programs, the focus of each program, and whether the organization is conducting a campaign or trying to grow a fundraising program.

AHP advocates using a mix of metrics that reflect both the market context and the effectiveness, efficiency, and net returns of the fundraising programs to gain a full picture of organizational performance. Examples of performance dashboards that include recommended metrics can be found in the AHP Thrive online community's [Sample Performance Dashboards library](#).

# Reporting on Staffing and Compensation

Healthcare fundraising organizations often grapple with questions about staffing and pay, such as the number of full-time equivalents (FTEs) to employ and the appropriate compensation levels. *Figure 4* illustrates a comparison between a hypothetical organization "ABC Hospital Foundation" and a high-performing peer "Target." The data reveals that Target employs 11.5 FTEs and offers higher average compensation per FTE, correlating with a higher return on investment (ROI) than Your Foundation, which has 9 FTEs. This comparison could prompt a deeper review of staffing structures and pay scales, especially for top-performing employees, and may lead to discussions about allocating more resources to increase total funds raised.

*Figure 4*

Metrics	Target	ABC Hospital Foundation
Net Fundraising Revenue	\$14.3 M	\$11.9 M
Return on Investment	\$7.31	\$6.19
Direct Fundraising FTEs	11.5	9
Total Compensation for Direct FTEs	\$1.8 M	\$1.3 M
Average Compensation per Direct FTE	\$157 K	\$144 K

# Appendix: Definitions

## Gifts

This section includes definitions and examples of gift types, including cash, non-cash, unconditional pledges, irrevocable requests, and documented new commitments.

### Annual Gift

Gifts of less than \$10,000 from individuals. Do not include gifts of less than \$10,000 from corporations, businesses, foundations, or governmental agencies.

### Appropriation

Provision of law in the United States that provides authority for United States federal agencies to obligate funds and to make payments out of the United States Treasury for specified purposes.

### Bequest and Matured Planned Gift

Bequests are cash or property left to a named beneficiary by means of a will. Revenue is booked during the reporting year in which the bequest matures or becomes payable to the organization to which it was committed.

### Board-Designated/ Quasi-Endowment

Unrestricted funds that have been

designated by the board to act as an endowment. These funds can be undesignated by the Board at any time and remain classified as unrestricted for financial statement purposes because only donors can restrict gifts and grants. See also: [Endowment \(True Endowment\)](#) for a definition of funds restricted by donors to be maintained in perpetuity.

### Charitable Gift Annuity (CGA)

A contract in which a transfer of cash or other property to the organization is made, and in return, payments of a specified amount determined by age (and gender in Canada) are made to the donor during his/her lifetime. See also: [Deferred Payment Gift Annuity](#)

### Charitable Remainder Trust (CRT)

Arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term with the remainder going to the organization.

## Closely Held Stock

A corporation with a small group of owners and stock that does not trade publicly is referred to as a “closely held company.” Gifts of stock in such a company contributed by one of the owners should be counted at current market value established by a recent trade or by an appraisal from a qualified appraiser.

## Commemorative Gift

Gifts made in honor of, memory of, or as tribute to someone. According to AHP standards, commemorative gifts of less than \$10,000 from individuals are counted as annual gifts; those valued at \$10,000 or greater from individuals are counted as major gifts.

Those of any size from corporations, businesses, and corporate foundations are counted as corporate/business/corporate foundation gifts, and those of any size from private foundations are counted as private foundation gifts.

## Corporate Gift/Grant

Charitable gifts or grants of any size made by corporations, businesses, and corporate foundations. Exclude corporate sponsorship of special events, as those are reported as special event gifts. Corporations include for-profit organizations, as well as nonprofit organizations such as churches, schools,

civic groups, professional associations, United Way, Children’s Miracle Network, and Canada Helps.

## Deferred Payment Gift Annuity

A charitable gift annuity (in the United States), that is set up to make its first payment more than 12 months after it is set up. Annuity payments are based on annuitants' age on the date payments begin. Count the charitable gift value to the donor (calculated by subtracting the net present value of the liability to the annuitant from the assets transferred to the organization in the year in which the contract was made See also: [Charitable Gift Annuity](#).

## Donor-created Endowment

Restricted funds that have been received by a donor to be maintained as a permanently restricted endowment. Donors can either specify a purpose restriction or allow the organization to determine how the investment earnings will be spent.

## Endowment (True Endowment)

A true endowment consists of contributions received from donors that must be maintained by the organization in perpetuity. These are referred to as permanently restricted funds. Generally, the contribution itself (often referred to as the corpus or principal) is kept intact and the income generated by the corpus/principal is available to be spent

by the organization.

Permanently restricted funds increase when the organization receives contributions for which donor-imposed restrictions limiting the organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements.

See also: [Board-Designated/Quasi-Endowment](#) for a definition of unrestricted funds designated by the organization's board to function like an endowment.

## Foundation Gift

Gifts from any foundation external to the organization. Foundations, typically established as nonprofit corporations or as charitable trusts, include private family foundations, community foundations, and corporate foundations.

## In-kind Gift

Non-cash gifts of goods or services. Often in-kind gifts are made to special events to help produce the event. Such gifts may include printing, food preparation, or professional expertise. In-kind gifts are counted at fair market value.

## Letter of Intent

Document indicating a revocable or conditional intent to make a gift to an

organization at some future time that contains a clause that allows the donor to cancel or alter the terms of the pledge under any or certain conditions or makes payments conditional upon future events when the future event is uncertain is not irrevocable and so should be considered a Letter of Intent. If the chance is only remote that a stated condition will not be met, this is not considered a condition. Letters of Intent are reported as production revenue, not recorded revenue, since these are not recordable per GAAP. See also: [Pledge](#).

## Major Gift

Gifts from individuals valued at \$10,000 or greater. Do not include gifts from individuals that are valued at \$10,000 or more and made as part of a planned gift or in response to a special event, as these are reported as planned gifts or special event gifts.

## Matured Bequest/Planned Gift

Funds received during the reporting year from estate or similar planned giving arrangements that have reached fruition. These are not counted as new gifts if they were previously recorded in past reporting periods; they are only recognized as gifts in the current reporting period if they have not been recorded before.

## Online Gift

Gift made through electronic technology such as online giving portals, text-to-give, and crowdfunding/ peer-to-peer initiatives. These gifts can be used for “gift fulfillment” by donors wishing to make payments on existing pledges.

## Outright Gift

A donation where the donor does not keep any interest, and the organization can use it immediately for purposes that support its mission. The organization commits to using the donation as directed by the donor but does not pledge its own resources or services in exchange.

## Permanently Restricted Endowment Funds

Funds created through donor gifts intended to be preserved indefinitely. These gifts form a permanent part of the organization's net assets. While the principal amount is kept intact, the generated income can be used for specific or general purposes as dictated by the terms of the endowment agreement. See also: [Board-designated/Quasi-endowment](#).

## Personal Property Gift

Any tangible item that is not real estate. Automobiles, used clothing, and used medical equipment are typical personal property gifts. Occasionally, an in-kind

gift also can be a gift of personal property, such as a gift of new medical equipment to a hospital by the manufacturer. Personal property gifts may or may not be deductible. Donors should seek the advice of tax counsel.

## Planned Gift

A gift, usually of significant size, made with forethought about the benefit to the organization and the financial planning implications to the donor. Planned gifts often are equated with deferred gifts, in which a commitment is made today but the funds are available to the organization at a later time. Planned gifts include bequests, life insurance policy beneficiary designations, gifts of residual interests such as charitable remainder trusts, or other similar arrangements. A planned gift is often part of a longer-term major gift strategy in which donors maintain interest during their lifetime, even after the gift is made.

Report planned gifts only if you have received written documentation from the donor. Include irrevocable planned gifts in recorded revenue and documented but revocable planned gifts in production revenue.

## Pledge

A written promise to make a future gift. A pledge made payable over a predetermined number of years is called

a multi-year pledge. Pledges can be irrevocable or revocable.

Irrevocable pledges are reported as recorded revenue at the time the pledge is made. Revocable pledges are reported as production revenue at the time the pledge is made. See also: [Letter of Intent](#).

## Pledge Payment

Payment made during the reporting year toward a pledge. Do not report pledge payments as recorded revenue or production revenue, because the entire pledge was already reported in the period in which the pledge was made.

## Production Revenue

Includes recorded revenue plus written, deferred gifts that cannot be recorded yet on financial statements per GAAP rules due to revocability and/or conditions on the gift (e.g., conditional pledges or revocable bequests). See also: [Recorded Revenue](#).

## Quid Pro Quo Contributions

A payment made partly as a contribution and partly for goods or services provided to the donor. An example of this would be when an organization holds a fundraising event and, in exchange for a contribution, the donor receives a meal at the fundraising event.

"Quid pro quo" is Latin for "something in

return." Benefits received by a donor in return for a contribution are considered "quid pro quo."

## Recorded Revenue

All irrevocable outright and irrevocable written deferred gifts received in any form, including cash and securities, non-cash gifts such as personal and real property, unconditional pledges, and irrevocable bequests See also: [Production Revenue](#).

## Special Event Gift

Gift of any value made via any event sponsored by the organization, held for the purpose of raising money, building awareness of the organization, and expanding constituencies. Includes all gross special event income, such as ticket sales, auction receipts, corporate sponsorships, event underwriting, and in-kind gifts.

## Split-Interest Gift

A trust where the trust income and remainder interest are split between two or more parties, such as between living beneficiaries and remainder beneficiaries at the end of the trust's term. The IRS gives special tax treatment to charitable remainder unitrusts (CRUTs), charitable remainder annuity trusts (CRATs), charitable lead trusts (CLTs), pooled income funds, and charitable gift annuities as split-interest agreements.

## Donor Types

This section includes definitions of various types of donor constituencies. For more information on gift reporting for donor constituencies, see [Chapter 3](#).

### Annual Gift Donor

Individual donor who gives a gift of less than \$10,000.

### Board Member Donor

Donor affiliated with the organization as a healthcare system, facility, and/or foundation board member, regardless of whether the board is a fiduciary/governing board or a non-fiduciary/non-governing board.

### Corporation/Business Donor

Business donors, whether incorporated or not, and whether organized as a for-profit or as a not-for-profit.

### Corporate Foundation Donor

Foundation donor that receives most of its funding from a for-profit corporation whose name it bears. While a company-sponsored foundation may maintain close ties with its parent company, it is an independent organization with its own funds.

### Employee Donor

Staff donor from the organization's healthcare system, facility, foundation, or other applicable facility or department.

### Gift Club

Club that requires member donors to make a specified annual gift (at prescribed levels) to sustain membership.

### Grateful Patient Donor

Individual who, motivated by appreciation for the care received, contributes financially to support the healthcare institution or its programs and initiatives.

### Hospital Auxiliary Donor

Donor from a separately incorporated organization of volunteers whose efforts are committed to providing volunteer hours and/or raising funds. Hospital auxiliaries are not always separately incorporated. This does not include contributions from auxiliary donors from departments of the healthcare organization.



## Individual Donor

Person who makes a financial contribution to the organization. This constituency is considered in the aggregate but may also be broken down into subcategories (e.g., grateful patients, major donors, annual donors, planned gift donors).

## Lapsed Donor

Donor who contributed a gift in the past but has not given for a certain period of time as determined by the organization.

## Major Gift Donor

Individual who gives a gift of \$10,000 or more.

## Non-senior Leadership Donor

Donor who is a member of the organization's staff but is not a member of senior leadership.

## Physician Donor

Individual donor who is a physician. This

includes employed and affiliated physicians and members of physician groups.

## Private Foundation Donor

Donor from a legal entity set up and funded by an individual, family, or group of individuals for the purpose of making charitable gifts and grants to unrelated organizations.

## Senior Leadership Donor

Donor who is a member of the organization's senior leadership team (e.g., chief executive officer, chief financial officer, chief strategy officer).

## Support Group Donor

Donors from a separately incorporated organization (apart from hospital auxiliaries), organized for the express purpose of providing support to the hospital (such as guilds or minimum gift clubs) that make gifts to the hospital or the foundation from the proceeds of its activities.

## Fundraising Program Types

When reporting revenue as recorded or production revenue, fundraising dollars are attributed to the applicable fundraising program in which the dollars were raised. These fundraising program types include annual gifts, major gifts, planned gifts, corporate/business gifts, foundation gifts, governmental grants, and special event gifts. For more information on fundraising program types, see [Chapter 3](#).

## Acquisition Direct Mail Gift

Gift received via an annual gift mailing program that solicits individuals who have never contributed, or who have not contributed within the last two years (or another time as set by the organization).

## Annual Gift

Gift from an individual of less than \$10,000.

## Campaign Gift

A gift received during a campaign, which has a specific beginning and end spanning multiple years, and which generally has a named purpose, scope, and set dollar goal.

## Comprehensive Campaign Gift

Gift from a campaign that encompasses fundraising for many needs of an organization, not just capital but also programmatic, endowment, annual gifts, planned gifts, and/or other sources.

## Corporate/Business Gift

Gift of any value from corporations, separately incorporated auxiliaries and support groups, businesses, and corporate foundations.

## Foundation Gift

Gift from any private family foundation, community foundation, general purpose

foundation, or independent foundation established as a nonprofit corporation or a charitable trust.

## Governmental Grant

Solicited funding of any value from local, state/provincial, and federal governmental sources. Include grants, contracts, and cooperative agreements when the beneficiary of the grant's work is the organization and not the donor, and when the foundation has played a material role in securing the funding.

## Major Gift

Gift from an individual of \$10,000 or more.

## Planned Gift

Gift of any value from an individual made as part of an estate or financial plan (e.g., bequests, split-interest gifts, such as charitable remainder trusts, charitable lead trusts, and charitable gift annuities, life insurance or testamentary trusts) in which the organization is designated as a beneficiary.

## Private Foundation Gift

Gift from a legal entity set up by an individual, family, or group of individuals for the purpose of making charitable gifts and grants to unrelated organizations.

## Renewal Direct Mail Gift

Gift received via an annual gift mailing program that sends information to individuals who have made a previous direct mail gift to the organization within the last two years (or within a given time as set by the organization).

## Special Event Gift

Gift received via any event sponsored by the organization, held for the purpose of raising money, building awareness of the organization, and expanding constituencies.

## Management and Operations

This section provides definitions to aid you in data management, including understanding the different components of expense reporting. For more information on expenses with information on accounting standards per GAAP, FASB, and the IRS, see [Chapter 2](#).

## Academic Medical Center

An organization with a medical school and at least one university-based hospital.

## Activity

Behind-the-scenes work that facilitates major gift strategy and may also represent informal, passive, or maintenance interactions with a donor or prospect.

## Behavioral Health Facility

An organization whose primary goal is to provide psychiatric services for the diagnosis and treatment of people with mental illness, although physicians may be available to treat other medical conditions.

## Centralized

A structure in which each individual fundraising entity within a healthcare system operates and is coordinated through a centralized or regionalized philanthropy office.

## Children's Hospital

A healthcare facility that provides inpatient beds, continuous nursing services, and an organized medical staff to diagnose and treat a variety of diseases and disorders specifically related to children.

## Community Hospital

A general, acute-care hospital with inpatient beds that is not a teaching hospital and that serves a local demographic.

## Decentralized

A structure in which each individual fundraising entity within a healthcare system operates with little or no centralized or regionalized philanthropy office support.

## Direct Fundraising Staff

Individuals performing front-line fundraising activities, typically including the following functions: Chief Philanthropy/Development Officer (CPO/CDO), executive director, vice president of philanthropy, directors of philanthropy/development, annual gifts, major gifts, planned gifts, special events, campaign fundraising, public and private grant writing, corporate and foundation relations, and other fundraising specialists with direct fundraising responsibilities.

## Entity

Single Healthcare Entity. Either a stand-alone facility or a facility within a healthcare system for which there is an organized fundraising program.

## Chief Philanthropy/Development Officer

Chief executive of the individual hospital or other healthcare organization's philanthropy office.

## Fiscal Year

Any 12-month corporate accounting period other than the calendar year.

## Formal Proposal

Written document to request a donation (typically of a specified amount) from a donor prospect.

## Foundation

Private family foundations, community foundations, general purpose foundations, and independent foundations established as a not-for-profit corporation or a charitable

trust, with a principal aim of making grants to unrelated organizations or to individuals, for charitable purposes. For benchmarking, this broad definition encompasses all foundation types, except corporate foundations which are reported as corporate/business gifts.

## FTE

Full-time equivalent employee. A unit of measurement used to compare the number of hours worked by employees to the average number of hours worked by a full-time employee (typically 40 per week).

## Fundraising Expense Budget

Portion of an organization's budget that is devoted to the cost of fundraising.

## Generalist

Staff member who does not specialize in a specific fundraising program.

## Home Care/Hospice Facility

A program offering palliative care, chiefly medical relief of pain and supportive services, addressing the emotional, social, financial, and legal needs of terminally ill patients and their families.

## Hybrid

A structure in which a centralized (or regionalized) philanthropy office offers and provides either a limited or wide array of specialized support services to individual fundraising entities within the healthcare system. The services offered and provided may exist in varying degrees (limited services to all or almost all individual fundraising entities, complete services to just a few individual fundraising entities, etc.).

## Indirect Fundraising Staff

Individuals who are not responsible for front-line fundraising activities. Some examples of the work these individuals perform to support fundraising are: general writing; public relations; marketing; finance, including the tasks of the CFO; operations; information technology; prospect research; gift receipting; data management; data analysis; human resources; development

coordinator; administrative assistant; clerical support; and other specialists and generalists without direct fundraising responsibilities.

## Moves

Also referred to as “Actions”. Refers to major and planned giving activity and relates to all meaningful cultivation activity (e.g., phone calls, letters, and visits) made after current and prospective donors respond to a mailing or personal appeal.

## Net Operating Revenue (Canada)

Operating revenue after all reported operating expenses have been deducted for the year. Also known as “excess revenue over expenses,” as shown on the organization’s financial statement.

## Net Patient Revenue (United States)

Net total of all patient revenue less “contractual allowances” such as discounts from charges provided to insurers, including Medicare, charity care, and bad debts, as shown on the organization’s financial statement.

## Non-compensation Expense

Expenses unrelated to compensation (e.g., materials, supplies, travel, rent).

## Non-philanthropy Expense

Expenses devoted to non-philanthropy management and administrative duties, including but not limited to hospital administrative duties assigned that are not related to philanthropy (e.g., gift shop, volunteer services, and community benefit oversight; and hospital service excellence), outside community activities (e.g., service on boards and memberships in service clubs), non-philanthropy speaking engagements on behalf of the hospital, and hospital rounds/on-call.

## Non-System-Affiliated Foundation

A fundraising entity that is a separate legal entity from the hospital(s)/system it supports, and that is not affiliated with a larger system including other fundraising entities.

## Non-System-Affiliated Philanthropy Department

A fundraising entity that is not a separate legal entity, but instead is a department of the hospital(s)/system it supports, and that is not affiliated with a larger system including other fundraising entities.

## Personal Solicitation Visit

Visit between a philanthropy staff member and a potential donor to request a gift.

## Philanthropy Administrative Expense

Classified as indirect expenses, they may include, but are not limited to preparing reports; audits, accounting, taxes and other financial matters; meetings with staff; human resource support; dealing with vendors; board recruitment, development, and meetings; and reviewing documents, including minutes, agendas, and healthcare system meetings and reporting.

## Professional Donor Advisor

Attorneys, accountants, trust officers, insurance agents, investment advisors, and other members of professions generally recognized as having close ties to donors and potential donors.

## Rent/Occupancy

Actual rent paid if philanthropy operations are self-funded. In circumstances where the philanthropy operation occupies the hospital or healthcare system space, a reasonable and fair amount based on local market rental rates should be allocated.

## Reporting Entity Type

Organization type of the reporting entity. Options include healthcare systems reporting on behalf of multiple entities, or a single entity such as a hospital foundation or philanthropy department.

## Reporting Year

A common timeframe used to gather, report, and compare data. For some organizations, this refers to a fiscal year that ends March 31, June 30, or September 30. For others, it might refer to the traditional calendar year that ends December 31.

## Service Area

Also referred to as “Region” or “Division,” a service area is the locality served by the facility or facilities within a healthcare system. Characteristics of a service area include population size, geographic classification (urban, rural, or suburban), average age of residents, and median household income. This information can be obtained by searching the United States Census Bureau website ([www.census.gov](http://www.census.gov)) or the Statistics Canada website ([www.statcan.gc.ca](http://www.statcan.gc.ca)).

## Specialist

A philanthropy/development officer whose practice focuses on a particular fundraising program such as major gifts or planned gifts.

## Staffed Beds

The number of beds that are licensed and physically available and for which staff are on hand to attend to the patients who occupy those beds. Staffed beds include both those that are

occupied and vacant.

## System

Healthcare system; Group of hospitals or other healthcare entities that are organized under and/or are affiliated with a corporate umbrella structure.

## System-Affiliated Foundation

A fundraising entity which is a separate legal entity from the hospital(s)/system it supports, and which is affiliated with a larger system including other fundraising entities.

## System-Affiliated Philanthropy Department

A fundraising entity which is not a separate legal entity, but, rather, is simply a department of the hospital(s)/system it supports, and which is affiliated with a larger system including other fundraising entities.

## Tax Credit

The amount that may be subtracted from the tax otherwise payable by a taxpayer in Canada. Individual Canadian taxpayers may claim tax credits generated through charitable giving.

## Tax Deduction

The amount that might be subtracted from adjusted gross income before calculating income tax; or, in the United States, the amount that might be

subtracted from the adjusted gross estate when calculating estate tax, or from the amount of the gift when calculating the gift tax. In Canada, only corporations are entitled to claim tax deductions.

## Tertiary Hospital

A highly specialized medical care facility that contains one or more “Centers of Excellence,” typically the “hub” of a healthcare system.



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