



Proposed Standards Manual Changes
Comment Period: November 9th, 2018 – December 10th, 2018

Please review the following proposed changes and keep them in mind when filling out the SurveyMonkey form. Remember, changes to the standards manual will affect you and your peers, so feel free to share any suggestions you may have with AHP through the following form:

<https://www.surveymonkey.com/r/XVGW3N6>

No.	Section	Existing Language	Proposed Language	Rationale for Change
1	Recorded Revenue Chapter 1, Pg. 4, Cash & Production	"Cash includes the current market value of outright gifts (made in any form) plus current-year payments from the previous year's pledges, planned gift maturities, bequests, and marketable securities. This formula provides a picture of "cash on hand," including the amount available for immediate use by the organization."	"Recorded Revenue includes new gifts recorded in accordance with GAAP in the current reporting year (made in any form, such as cash and securities, non-cash gifts such as personal and real property, unconditional pledges, etc.). Recorded Revenue is reported at net fair market value at the time of the gift."	This change is intended to simplify the reporting requirements and make AHP's standards more consistent with generally accepted accounting principles (GAAP). The new "Recorded Revenue" term and definition make it easier to talk to your CFO and finance department, further establishing a common language for communicating and measuring across organizations.

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2	Production Revenue Chapter 1, Pg. 4, Cash & Production	<p>"Production represents all outright gifts of cash (excluding payments on pledges from previous years) and new gift commitments made in the reporting year. New gift commitments effectively combine all new pledges and letters of intent (including revocable gift commitments) and the current market value of irrevocable planned gifts."</p>	<p>"Production Revenue includes Recorded Revenue as defined above plus certain documented new commitments made during the reporting year which cannot be booked in accordance to GAAP due to their revocable and/or conditional nature."</p>	<p>The change from Cash to Recorded Revenue also simplifies the definition of production revenue, since recorded revenue is now the base calculation. The end result is the same, but this change provides an easier way to get to the number. Production revenue is now GAAP-standard plus certain documented commitments that are not recordable per GAAP.</p>
3	Endowment Reporting Chapter 1, Pg. 5, Programmatic Reporting	<p>"Gifts secured for endowment or endowed-fund purposes should be reported at current market value in a separate category for endowments."</p>	<p>None</p>	<p>The council proposes deleting this line. As written, the line implies that gifts for endowments should not be counted in the categories above (Major, Planned, etc.). Regardless of the gift's destination or purpose, AHP standards require that they be counted in one of the primary program categories.</p>

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4	Reporting by Gift Format Chapter 1, Pg. 6, Programmatic Reporting	"The gifts received are allocated to individual program areas, and each program area requires gifts to be reported according to the format in which they were received."	"The gifts received are attributable to applicable fundraising programs, and each fundraising program requires gifts to be reported according to whether the amount was actually recorded per generally accepted accounting principles (Recorded Revenue) or was secured but not recordable per generally accepted accounting principles (Production Revenue)."	The change from "Cash" to "Recorded Revenue" simplifies reporting by removing the requirement to report the gift's format. Instead, organizations only have to report whether the gift is recorded in the reporting year per GAAP ("Recorded Revenue") or could not be recorded per GAAP due to its revocable and/or conditional nature ("Production Revenue").
5	Expense Categories Chapter 2, Pg. 9, Defining and Reporting Fundraising Expenses	<u>Three categories of expenses:</u> 1) Direct costs (does not mention compensation) 2) Indirect costs (includes compensation, even though later in the manual human resource expenses are divided into direct and indirect categories). 3) Overhead costs	<u>Four categories of expenses:</u> 1) Direct compensation expense: Actual compensation expense for all front-line fundraising staff. 2) Indirect compensation expense: Actual compensation expense for staff who support front-line fundraisers. 3) Operational/overhead expense: Actual expense which is related to philanthropy operations but is not compensation. 4) Non-philanthropy expense: Actual expense which is not related to philanthropy operations (such as any expense that accrues a direct benefit to the hospital or other supported organization but not to the fundraising organization). Non-philanthropy expense is not included in total philanthropy expense calculations.	The current version of the Standards Manual has two conflicting definitions of direct, indirect and overhead expenses. This change eliminates confusion about direct and indirect expenses by clarifying that these categories are only for compensation-related expenses.

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6	Operational/Overhead Expenses Chapter 2, Pg. 9 & 11, "Defining and Reporting Fundraising Expenses"	Operational/Overhead expenses are defined differently in two places: 1) Overhead is defined as "Electricity, heat, insurance, rent, water, depreciation assessment" (Pg. 9) 2) Elsewhere, overhead expenses are listed as "Professional fees, contracted services, travel, dues, subscriptions, rent/occupancy, supplies." (Pg. 11)	A single definition of operational/overhead expenses: "Actual expense which is related to philanthropy operations but is not compensation." Non-philanthropy expense: "Any expense that accrues a direct benefit to the hospital or other supported organization but not to the fundraising organization."	The current version of the Standards Manual has conflicting definitions of operational/overhead expense. This change clarifies the definition of which expenses do and do not fit into this category by removing the specific examples and creating a clear statement that foundations can use to evaluate their own expenses, as well as breaking out a separate definition of non-philanthropy expense.
7	Human Resource Expenses Chapter 2, Pg. 10, Defining and Reporting Fundraising Expenses	Prospect research staff were reported with direct human resource expenses	Prospect research positions are now reported with indirect human resource expenses.	The current version of the manual includes prospect research staff salaries as direct costs. Since prospect researchers are typically not front-line fundraisers, this proposed change moves these salaries to the indirect category, bringing it in line with their job responsibilities.

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8	Public Support Chapter 3, Pg. 20, Performance and Activity Measures	"AHP allows NIH grants with training or program focus but excludes NIH research grants."	"AHP allows NIH grants to be reported when the philanthropy function is involved in cultivating and securing the grant and when the beneficiary of the grant's work is the organization, not the donor (NIH)."	In the current version of the Standards Manual, NIH research grants were not reportable. This change widens the range of reportable grants, allowing any NIH grant to be reported as long as the organization, rather than the donor, benefits from the grant.
9	Pledge Payments Chapter 5, Pg. 27-30 Definitions and Reporting Methodologies	The current Standards Manual includes separate entries for Annual (pg. 27), Corporate (pg. 28), Major (pg. 30), and Special Event (pg. 29) pledge payments, with the following definition: "Payments made on pledges made during the reporting year. Do not include payments made in previous years."	"Annual Gift [Major, Corporate, Special Event] Pledge Payments: Payments made during the reporting year toward annual gift pledges. Do not report as either Recorded Revenue or Production Revenue in the current reporting year because the entire pledge has already been counted in either a previous or current reporting year."	This change reflects the proposed change from Cash to Recorded Revenue. It simplifies by removing the need to count pledge payments in one category and the full pledge in another.

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10	Board Designation/Quasi Endowment Chapter 5, Pg. 28, Definitions and Reporting Methodologies	<p>"Board Designation/Quasi Endowment: Unrestricted funds that have been designated by the board to be invested with the organization's other endowment or endowed funds."</p>	<p>"Unrestricted funds that have been designated by the board to act as an endowment. These funds can be un-designated by the board at any time and remain classified as unrestricted for financial statement purposes (as only donors can restrict gifts and grants)."</p>	<p>This change clarifies that such funds do not need to be invested, adds further definition and brings AHP's guidance in line with GAAP and IRS standards.</p>
11	Commemorative Gifts Chapter 5, Pg. 28, Definitions and Reporting Methodologies	<p>"Commemorative Gifts: Also known as memorial gifts, these gifts are made honor of, in memory of, or in tribute to a person. According to AHP standards, commemorative gifts of less than \$10,000 will be counted as annual gifts and those valued at \$10,000 or greater will be counted as major gifts."</p>	<p>"Commemorative Gifts: Gifts that are made in honor of, in memory of, or in tribute to a person. 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."</p>	<p>Clarifies that commemorative gifts from corporations/businesses/corporate foundations and those from private foundations should be counted in those respective constituencies, not in annual or major giving.</p>

No.	Section	Existing Language	Proposed Language	Rationale for Change
12	Corporate/Business/Corporate Foundations Chapter 5, Pg. 28, Definitions and Reporting Methodologies	<p>"Corporate Gifts: Charitable gifts <i>of any size</i> made by a public or private business or corporation. Do not include in-kind gifts, including the loaning of business equipment or executive time. Include corporate sponsorship to events such as sponsorship of educational programs, etc. Exclude corporate sponsorship of special events reportable in the special events section."</p>	<p>"Corporate Gifts: Charitable gifts <i>of any size</i> made by a public or private business or corporations, or businesses, and corporate foundations. Include corporate sponsorships for events such as sponsorship of educational programs, etc. Exclude corporate sponsorship of special events as those are reported as special events gifts. Corporations include nonprofit organizations such as churches, schools, civic groups, professional associations, United Way, Children's Miracle Network, Canada Helps, etc."</p>	<p>The proposed new language clarifies that gifts from corporate foundations should be counted under corporate giving, not as a gift from private foundations. The change also moves gifts from collaborative efforts like United Way and Canada Helps from Other Income into the Corporate/Business/Corporate Foundation category.</p>
13	Other Gifts Chapter 5, Pg. 30, Definitions and Reporting Methodologies	<p>"Other gift income generated by an ancillary program or gift source. Include income from thrift and gift shops."</p>	<p>"Thrift and gift shop revenue should not be reported as philanthropic gifts."</p>	<p>The current manual calls for gift shop income to be reported as philanthropic revenue. This change moves gift shop revenue out of the philanthropic category, as it is simply a retail transaction.</p>

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14	Support Groups (other) Chapter 5, Pg. 32, Definitions and Reporting Methodologies	"Support Groups (other): Other groups (apart from hospital auxiliaries) organized for the express purpose of providing support to the hospital..."	"Support Groups (other): Separately incorporated organizations (apart from hospital auxiliaries) organized for the express purpose of providing support to the hospital..."	This change clarifies that if gifts are credited to a support group, the group should be separately incorporated (for example, having its own EIN). If the group is not separately incorporated, the gift should be credited to each of the individuals who donated to the group.
15	Lapsed Annual Donors Chapter 5, Pg. 32, Definitions and Reporting Methodologies	"A donor who contributed a gift in the past but has not given in the last 24 months."	"A donor who contributed a gift in the past but has not given for a certain period of time as defined by the organization."	This change reflects current practice by allowing organizations to set own their individual definitions of lapsed donors, rather than mandating a 24-month definition.

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16	Real & Personal Property Chapter 5, Pg. 40, Definitions and Reporting Methodologies	"Personal property is anything other than real property. ... Their conversion to cash results in a mission-related donation."	"The conversion to cash sometimes results in a mission-related donation and sometimes not. When the item can actually be used by the organization or the facility it supports (e.g. a piece of equipment), these result in mission-related donations and the charitable deduction to the donor is the item's fair market value. When the item cannot be used by the organization or the facility it supports (e.g. a piece of jewelry), these result in non-mission related donations and the charitable deduction to the donor is the item's cost basis."	The current manual makes a universal statement about the conversion of personal property to cash. The proposed change reflects that the situation may differ based on various factors.
17	Special Events (Quid pro quo and auction items) Chapter 5, Pg. 38, Definitions and Reporting Methodologies	Gifts of services are not considered countable gifts	Gifts of service are countable as fundraising revenue but are not tax deductible to the donor.	This more accurately tracks fundraising performance, as the value of these items should be reported as fundraising revenue. These donors give without even getting a tax deduction, which should be considered philanthropy.

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18	<p>Donor-advised funds Chapter 5, Pg. 44, Definitions and Reporting Methodologies</p>	<p>"For the purposes of reporting, any gifts received from donor-advised funds should be credited to the individual donor"</p>	<p>"Any gifts received from donor-advised funds should be credited to the charity, trust or other organization actually making the contribution (e.g. Fidelity Charitable or Schwab Charitable). It is common practice to also soft credit the individual donor for recognition purposes, but the actual gift is from the custodian of the donor-advised fund."</p>	<p>This change better clarifies the relationship between the recipient organization, the donor-advised fund and the fund holder.</p>