

# How Would You Enter THIS Gift?



**BILL CONNORS, CFRE, BCRE-PRO**

*Independent Consultant and Trainer on Raiser's Edge*

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**TITLE**

Independent Consultant and Trainer on Raiser's Edge (v7 and NXT)

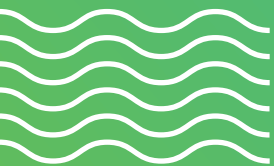
**HOMETOWN**

San Francisco, CA

**ABOUT ME**

I'm a U.S. Air Force military brat, and I grew up in Japan, Texas and Utah. My high school student experience in Junior Achievement has led to my career in nonprofit work. I'm currently on sabbatical (except for this week) in my second and final year at Harvard Divinity School. I'm pursuing my lifelong interest in American religious history, with plans to return to my RE work full-time and permanently next summer.





# INTRODUCTORY COMMENTS



# Introduction

- ▶ A tiny bit of background...
- ▶ Warning: I have strong opinions and attitudes about these topics
- ▶ We have limited time to talk about a complex topic: certainly will not cover everything
- ▶ Not a “buttonology” session: I will use PowerPoint (and few screenshots)
- ▶ Not a “how to” session: I’m not going to tell you what you “should” do
- ▶ Not a “right or wrong” session
- ▶ A session using tricky examples to build *principles*

# Introduction continued

- ▶ This is primarily about Raiser's Edge, though I would think most of the principles would apply to Blackbaud's and others' fundraising software
- ▶ There simply isn't time for me to get into all the ins and outs of RE gift entry, donor acknowledgement letters, IRS rules and regulations, fundraising best practices, etc.
- ▶ This is not an introductory-level session; for some it might seem pretty advanced, for others it might be intermediate
- ▶ Questions during the session
  - Please be considerate of the others in the room
  - Ask questions that have general applicability, not extreme specificity to your organization or something that happened one time
  - I'm around after the session to answer questions, I leave Friday
- ▶ Canada and countries other than the U.S.

# Agenda

- ▶ Some principles
- ▶ Hard credit
- ▶ Soft credit
  - Considering output, not just input
- ▶ Application of the principles to example situations
  - Donor-advised funds
  - Employee giving
  - Family foundations
  - Group fundraising
  - Revocable living trusts
- ▶ Q&A

# The Purpose of Raiser's Edge

- ▶ Raiser's Edge is a **FUNDRAISING** database
- ▶ It is not a gift entry database, although it is used for that
- ▶ It is not a receipting database, although it is used for that
  - How the acknowledgement letter needs to be worded and addressed is not the “end all, be all” about deciding how to enter a gift
- ▶ It is not an accounting program, although it does serve as a subsidiary ledger to the general ledger
- ▶ Raiser's Edge is a **FUNDRAISING** database for the use and benefit of the **FUNDRAISING** staff to support the **FUNDRAISING** process

# We Should Be Professionals

- ▶ We should act like and be professionals: everything we do is not easy
- ▶ We are not data entry monkeys: we need to think about our jobs and be knowledgeable about what we do, we need to interact
- ▶ We should not be told by our accounting colleagues how to use our database anymore than we will tell them how to use their database: we work together as professionals to make the best, most correct use of our mutual programs to serve the needs of both departments
  - The CFO, VP Finance, controller, etc., do not tell us how to use Raiser's Edge
  - The auditors do not tell us how to use Raiser's Edge
- ▶ If we're doing our jobs right, the heads of development and advancement should not be telling us how to use Raiser's Edge: we, as the database professionals, work with them to ensure the correct use of the system to meet their needs, but we are the RE pros



# Think About the Output

“Our organization receives a signed, written MOU from an individual for a new project, including the amount they are committing to, and their installment schedule. We create a new Fund (in RE and new activity in FE), and the Gift Processor adds the Pledge and installment schedule. Then the individual begins to make payments through his Family Foundation! We then write off those installments on the individual's pledge, noting the reason why. Family Foundation receives the HC, individual receives the SC. *Our Director then has difficulty getting accurate information when running gift reports and wants us to find another way to handle gift processing when this situation occurs. Help! :-)*”

“I'd love more information on gift output for annual reports. What are the best practices for recognizing United Way donors, donor-directed funds, etc. on the donor list? And, how does that output impact input?”

# “Best Practices”

- ▶ “Best practice” does NOT equal most common practice
- ▶ Most common practice does not equal “best practice”
  
- ▶ Remember what Mom used to say: “Just because everyone is doing it doesn’t mean you should do it, too.”
  
- ▶ Just because someone tells you “it’s best practice” doesn’t mean it is *or* doesn’t mean it is for you, your organization, your database, your situation

# We Should Document

- ▶ See my 2010 bbcon session on YouTube (see the Speaking page of my website)
- ▶ Do *not* waste your time re-writing how to navigate RE and the tabs of a constituent record!
- ▶ Do spend your time documenting gift entry policies and procedures, especially the tricky situations
  - Explain how
  - ALSO explain WHY
  - ALSO explain how to get the data OUT of your system correctly

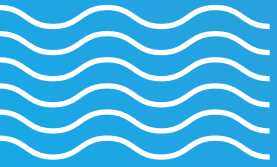
# What the IRS Says about our Fundraising Databases

# What the IRS and Other Federal Revenue Agencies Do Say

- ▶ What our tax receipts or acknowledgement letters should say (U.S.: Publication 1771; Canada: Google “Issuing complete and accurate donation receipts”)

*The IRS says NOTHING about what record a gift should be entered into in our fundraising database!*

- ▶ I’m told the CRA and HMRC say (really: “don’t say”) the same thing
- ▶ The IRS does not say we “have to enter the gift in a record based on the name on the check”!
- ▶ We do have to follow proper tax receipting and acknowledgement laws and rules, but we don’t have to follow a mindless “name on check” fallacy



# LET'S GET INTO GIFT ENTRY



# Questionable Names on Checks

- ▶ Someone consolidates their friends' money and sends you one check for all the friends' gifts
- ▶ A company sends you an employee's contribution
- ▶ A gift from a revocable living trust
- ▶ Blackbaud Merchant Services makes a deposit in your account for your credit card transactions
- ▶ Greater Giving (Auctionpay) or Network for Good send you money they have processed
- ▶ Fidelity or Schwab Charitable sends you a donor-advised fund payment
- ▶ Matching gift contribution from Princeton, NJ, or from the company's foundation
- ▶ United Way, Benevity
- ▶ Schools...e.g., parents give "on behalf of" their child

# Names on Checks

- ▶ I'm not telling you what you should do in RE; what I'm recommending you do is *think*
- ▶ There is NO requirement that says you have to enter these gifts into a record based on the name on the check
- ▶ And I would argue it's also not best practice to always do so



# Soft Credits

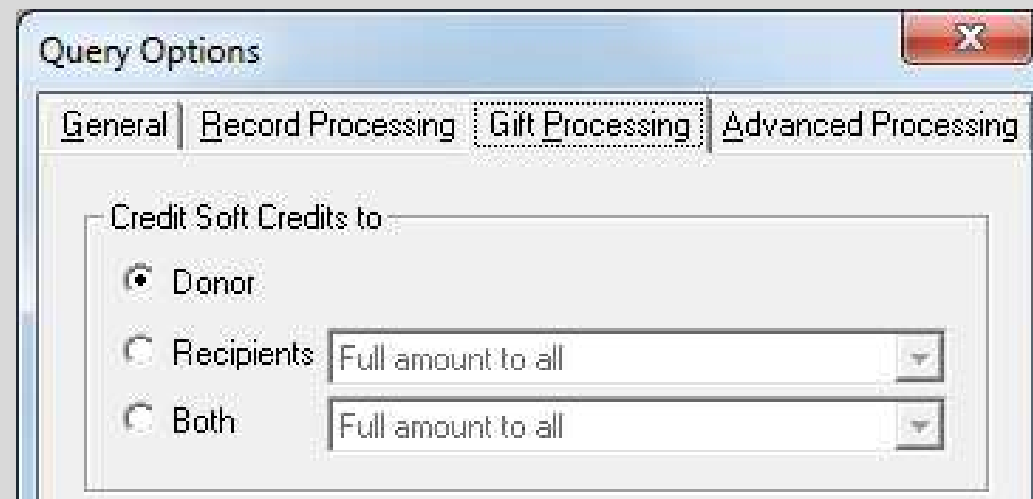
- ▶ There is no such thing as “*just* soft credit them”
- ▶ Consider the OUTPUT with soft credits, not just the input
- ▶ As in life, there are trade-offs: easy on the entry end or easy on the output end
- ▶ Do not use soft credits for
  - Money raised
  - To simply link someone to a gift

# Soft Credits: Problem Example 1

## ▶ Example of the problem:

- Situation A: Maria Hernandez owns Hernandez Accounting and gives you a company check and wants to be recognized as **Hernandez Accounting**
- Situation B: Tim Chan owns Tim's Flower Shop and gives you a company check and wants to be recognized as **Tim Chan**

➔ Who gets hard credit, who gets soft credit, and how does that work with other SCs in queries, reports, mailings, exports, etc., etc.?



The image shows a screenshot of a software dialog box titled "Query Options". The dialog has four tabs: "General", "Record Processing", "Gift Processing" (which is selected and highlighted with a dotted border), and "Advanced Processing". Under the "Gift Processing" tab, there is a section labeled "Credit Soft Credits to". This section contains three radio button options: "Donor" (which is selected), "Recipients", and "Both". To the right of the "Recipients" and "Both" options are two dropdown menus, both of which currently display "Full amount to all".

# Soft Credits: Problem Example 2

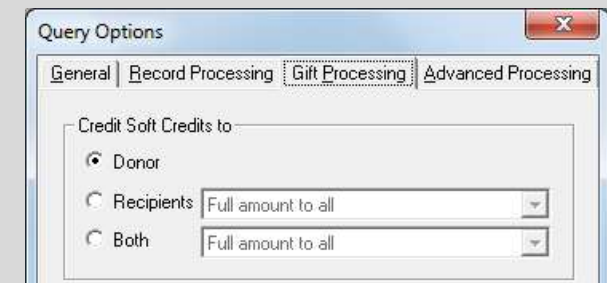
## ▶ Example of the problem:

- Situation A: Bob and Betty Smith each have their own constituent record and make a joint gift. The gift is entered into Betty's record because she's the head of household and Bob is soft credited.
- Situation B: Samantha Red Wing makes a gift from her donor-advised fund at the South Dakota Community Foundation. The gift is entered into the foundation's record and Samantha is soft credited.

## ▶ When outputting data we want **Betty Smith's** record because she's the HOH and we want **Samantha Red Wing's** record because she's our true fundraising prospect and relationship.

- Choosing Donor gives us Betty's record *but the SD Community Foundation's record*
- Choosing Recipients gives us Samantha's record *but Bob Smith's record*
- Choosing Both gives us Betty *and Bob*, Samantha *and the foundation*

→ For these two “simple,” “common” situations, there is no RE option that works



Query Options

General | Record Processing | **Gift Processing** | Advanced Processing

Credit Soft Credits to:

Donor

Recipients Full amount to all

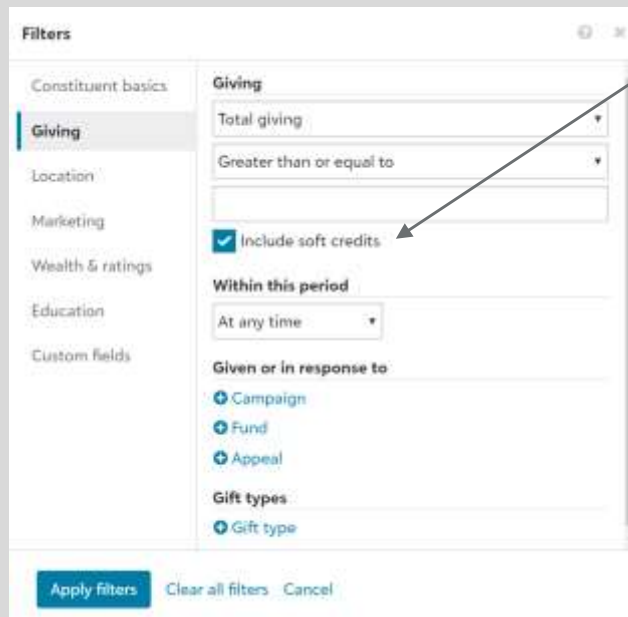
Both Full amount to all

# Soft Credits in Raiser's Edge NXT Web View

- ▶ For the most part I love Raise's Edge NXT and the web view, but ...
- ▶ In some senses the situation is even worse with soft credits than in RE 7/the database view

In some cases we can choose to Include Soft Credits or not, but we have no further options as to *who* gets credit for the soft credits

In other cases, Blackbaud has decided whether or not to include them, and we have no choice at all



The screenshot shows the 'Filters' panel in Raiser's Edge NXT. The 'Giving' section is active, and the 'Include soft credits' checkbox is checked. The panel also shows options for 'Total giving', 'Greater than or equal to', 'Within this period', and 'Given or in response to'.

Ideally, your donor acquisition and retention — and the giving of those supporters — outweighs your donor attrition and their at-risk revenue. For suggestions on how to acquire and retain donors or recapture those who lapse or are lost, see [Donor Acquisition and Retention](#) or [Donor Attrition](#).

**Tip:** In *Analyze*, the donor lifecycle metrics consider only constituents' personal giving to your organization. To consider soft credits in addition to personal giving to gauge donor attrition, use tags on constituent lists or records. For more information, see [Tags and Recommendations](#).

# Soft Credits: My Take

- ▶ Hard credit goes to the fundraising entity—who we asked, who gets the acknowledgement, who gets recognized, who gets further mailings, who will be asked again
- ▶ Gift attribute named “Name on Check”
- ▶ Letters and benefits still have to be right per IRS (or other country) regulations
  - Letter includes “Name on Check”
- ▶ Very limited use of soft credits
- ▶ I use “Other” as a gift type more frequently than most
  - I use Gift Subtype every time with Other to explain the specific uses of Other and to allow me to filter my queries, reports, exports, and so forth more easily
- ▶ Pester Blackbaud endlessly to fix soft credits!
  - If they do, my recommendations here might change, perhaps dramatically
  - This presentation is very much based on the **reality** of RE today, not some philosophical “right” way to do things

# Soft Credits: Decide and Document!

Situation	Hard Credit to	Soft Credit to	Output Option
Spouses			<i>Note all the rows are merged here—you have ONE set of options for each output tool on how to handle soft credits</i>
Donor-Advised Funds			
Personal and Family Foundations			
United Way			
Business Check			
...			

Query Options

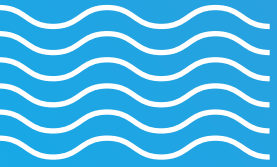
General | Record Processing | **Gift Processing** | Advanced Processing

Credit Soft Credits to:

- Donor
- Recipients: Full amount to all
- Both: Full amount to all

# Consider Constituencies

- ▶ Educational institutions: Be careful of the CASE VSE report coding and requirements
- ▶ Hospitals: Be careful of AHP standards and possible other reporting requirements
- ▶ Everyone: if you do reporting by constituency, you need to think about Constituent and Gift constituencies as well
- ▶ Also be prepared for IRS Form 990 reporting if you do it from RE



# EXAMPLE SITUATIONS





# Donor-Advised Funds

- ▶ From non-profit community foundations
- ▶ From for-profit corporations

From a conference attendee and active RE social media participant:

“Jack and Jill Smith have a family fund at the Coastal Community Foundation. The check comes from CCF, from the Jack and Jill Smith Family Fund of the CCF, and the advisors are Jack and Jill Smith. So, we have a constituent record for the CCF, another record for their fund, and a record for Jack and Jill separately because they have both participated in our Walk.”

# Donor-Advised Funds: My Take

▶ Who is the gift legally from? Who gets the tax receipt credit?

▶ BUT...

- Who made the decision?
- Who do you want to thank?
- Who are you going to recognize?
- Who are you going to mail to accordingly?
- Who are you going to ask for the next gift?
- In whose record does your fundraising team want to see the money?

# Donor-Advised Funds: My Take

- ▶ Hard credit the individual or couple who “advised” the gift
- ▶ Use the “Name on Check” gift attribute
- ▶ Probably soft credit the foundations, probably don’t the corporations
  - Always with an eye towards your SC grid and output needs!
- ▶ Ensure your acknowledgement letter is worded properly
  - Have a DAF Letter code?
  - Use conditional statements in your letters?
  - Put the Name on Check attribute in your letter
- ▶ Create an organization relationship...
  - To the DAF itself?
  - A linked relationship to the foundation
  - Anything to the corporation?
- ▶ Pledges...when a Pledge is not a pledge
- ▶ Be careful with events, especially with “bifurcating”

# Employee Giving

- ▶ Today it is common for the company or a third-party to send us the employee's contribution
- ▶ So it arrives on a company check, oftentimes with both the employee's money and the company's match rolled into one
  
- ▶ BUT whose money is it?

# Employee Giving: My Take

- ▶ The employee's money goes in the employee's record as a hard credit
- ▶ Use the Name on Check attribute
- ▶ The company can't provide a tax receipt to the employee, so less concern about the acknowledgement letter addressing tax issues
  
- ▶ If you don't know the employee's name, use
  - The Anonymous constituent
  - An org constituent named "The Employees of ABC Corporation"
  
- ▶ Use the Matching Gift functionality, don't use soft credits for matching gifts

# Employee Giving: My Take

- ▶ If both parts arrive in the same check
  - Enter the one check as two Cash gifts in the batch
  - Create the Matching Gift Pledge off the employee's portion
  - After the batch is committed, apply the company's portion to the MG Pledge
  - Most organizations don't post matching gift pledges, so a Cash gift and a MG Pay-Cash are posted the same way
  - Depending on your post and reconcile procedures with Accounting, this may require some manual explanation
  
- ▶ Get after Blackbaud to bring MG functionality in RE into the 21<sup>st</sup> century

# Family Foundations

## ▶ “Family Foundations” extend from

- The Bill & Melinda Gates Foundation, the David and Lucile Packard Foundation, and The William and Flora Hewlett Foundation,
- To the Robert and Wendy Hernandez Family Foundation glorified checking account,
- And everything in between

## ▶ Who gets hard credit, is there soft credit, are there organization relationships?

# Family Foundations: My Take

- ▶ Work with your fundraisers to find out more about the situation...
- ▶ If it's the "glorified checking account" type, enter it into the person's or couple's record with the "Name on Check" attribute (don't forget to do the letter right)
- ▶ If it's the Gates Foundation, enter the gift into a record of that name and consider soft or Other credit based on your other uses of soft credit
- ▶ If it's somewhere in between...that's where your professionalism has to come in to work with staff, understand donor needs, and understand Raiser's Edge



# Family Foundations: My Take

## ▶ Consider

- Are there foundation staff? A different contact person?
- Multiple people in the family beyond one couple, such as siblings or children?
- Is there a different mailing address?
- How is the recognition to be done?
- Who is responsible in your office? Is it the major gift officer or Foundation and Corporate Relations person?

## ▶ Again, be careful with

- Pledges
- Events

# Group Fundraising

- ▶ Sometimes people participate in our events, especially “a-thons,” collect the money from their sponsors for us, and send in one check
- ▶ Gifts at the death of someone given to the surviving spouse
- ▶ Sometimes people or organizations hold their own events and designate our organizations as the beneficiaries, often called “third-party events” or “external events,” and then send us the proceeds
- ▶ Who are the donors really? Who do we want to thank? Who do we want to recognize?
- ▶ What does the IRS allow us to do?

# Group Fundraising: My Take

- ▶ Again, we need to work closely with our fundraisers and our donors, we need to be professionals, unafraid of picking up the phone, asking questions, and getting into complicated situations
- ▶ I believe it is simply wrong to give someone hard credit for money they consolidated into one of their own checks—it's not their money
  - While we should absolutely appreciate, thank and recognize money raised for us, there is a difference between money raised and money given that we should understand and recognize in Raiser's Edge
- ▶ Break out the money into the separate donor records if you can, if you have the information, if the data entry load is reasonable and worthwhile
- ▶ Otherwise enter the money into your “Anonymous” constituent record or another specific record to the purpose
- ▶ Be careful with your letters and any tax statements you make
- ▶ Be careful with organizations—sometimes it IS their contribution
- ▶ Perhaps ask the host not to consolidate the checks

# Revocable Living Trusts

- ▶ A revocable living trust is set up by individuals and couples so their assets do not go through probate at death
- ▶ It is a separate legal entity as demonstrated by the legal paperwork that must be created and signed and the legal transfer of assets into the trust, but....
- ▶ There is no separate tax entity (no separate tax ID number)
- ▶ There are no staff
- ▶ There is no different address
- ▶ Giving decisions are not affected
- ▶ Fundraising is not affected
- ▶ My take:
  - Enter the checks into the person's/couple's constituent record
  - Use the Name on Check attribute if concerned
  - Don't be afraid to ask your fundraisers or the donors if you're not sure—there are many kinds of “trusts”

# Other Good Topics Time Allowing

- ▶ United Way gifts
  - Quick: no Pledges; Cash in Anon or UW, Other with subtype for donors for full amount
- ▶ CFC gifts
- ▶ Verbal and conditional pledges, their conversion, payment, and posting
  - Quick: Pledges with subtypes
- ▶ Credit card processing by other non-profits, such as Network for Good
- ▶ Check from parent to pay student pledges
- ▶ Money that passes through many organizations before it gets to us
- ▶ Lots of little gifts, such as through sponsorship events (a-thons)
- ▶ One-off and unusual tributes (e.g., Jesus, the saints, animals, “good times” and “good friends”)



# WRAP-UP POINTS



# Resources

## ▶ Specific to Raiser's Edge

- Facebook RE group
- Blackbaud communities

## ▶ Industry groups (be careful, often these participants do not know RE)

- Fundsvcs.org
- Association of Advancement Services Professional (advserv.org)
- Council for Advancement and Support of Education (case.org)
- SupportingAdvancement.com

# Summary

- ▶ Never say, “the IRS requires the gift be entered based on the name on the check”!
- ▶ Never think or mindlessly say, “we have to enter the gift in the record for the name on check”!
- ▶ Be a professional—understand your software, including the output considerations; understand the fundraising and fundraisers’ needs; work with your supervisor and accounting colleagues to understand your tax acknowledgement responsibilities; and then *think* about what the best long-term decision will be
- ▶ There’s a lot to be said for “it works”
- ▶ There’s a lot to be said for consistency—make changes carefully
  - Talk to your supervisor and colleagues in your department and outside, especially in Accounting
  - Perhaps even include the auditors
- ▶ Document!



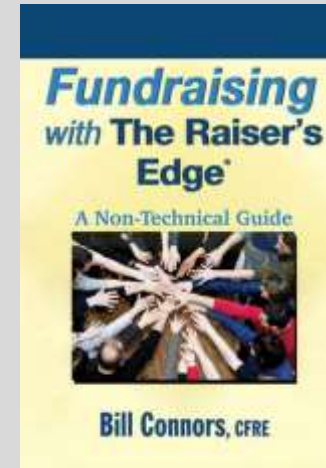
THANK YOU!

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FIRED UP?

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# LET'S CONNECT



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