A Call For Consistency In Cost Accounting

By Jerry W. Mapp

How much did you raise and how much did you spend to raise it? The question is as old as fund raising itself, but the answer only has meaning if we know what's behind it. Because development professionals speak in so many different tongues on the subject, we are often comparing apples and oranges when we share results with one another.

On the revenue side, one institution might factor in pledges or in-kind donations while another does not. Some might declare a planned gift in the year it was made or when the donor dies. Some even assign a dollar value to volunteer time and add that to their total.

Personally, I believe in counting only the cash and cash equivalents received in a given year. Any outright gift that produces cash—including bequests, matured planned gifts, and art work or real property that has been appraised and clearly could be sold whenever appropriate—belongs on the list. Earned income on money already in the bank does not, nor does a planned gift that hasn't matured. Other professionals might disagree. My point is not that any particular approach is best but that some overall standard should prevail for the sake of the profession as a whole. Right now, the field is full of inconsistencies.

Cost reporting, too, varies widely. Generally, an in-house development department will report lower expenses than a separate foundation. At California Pacific Medical Center Foundation, we reported $9,500,000 (in cash gifts) in 1993 at a cost of 22 cents on the dollar. And we included what I believe are *all* our costs. We lease office space for a staff of 21. We pay the salaries of our own senior accountant, plus a director of finance and information systems. We pay for lights, gas, water, sewage, garbage, telephones, equipment and depreciation expenses. We also include the cost of any community relations activities associated with fund raising. All this and more was factored into our annual total, whereas many of these expenses might "disappear" if we were a department of the medical center. In fact, even many foundations choose not to include such high-ticket items as rent.

Obviously, everyone wants to report the lowest possible cost and the highest possible net. And many development professionals can be justly proud of their fund-raising results. But we can only truly celebrate our successes when we know clearly what they are!

Many of our professional associations have attempted to address the issue, but to date I have still not seen the level of clarification that I think we need. The *Standards of Professional Conduct* of the American Association of Fund-Raising Counsel (AAFRC) offers only this: "Fund-raising expenditures are within the authority and control of the not-for-profit organization." That's not much help. Ultimately, neither is the 1993 *Report on Giving* of the Association for Healthcare Philanthropy (AHP). This report announces the results of a survey that compared "the cash raised for each dollar of budget available." Such information is certainly valuable, but it would be even more so if we knew exactly what factors were considered.

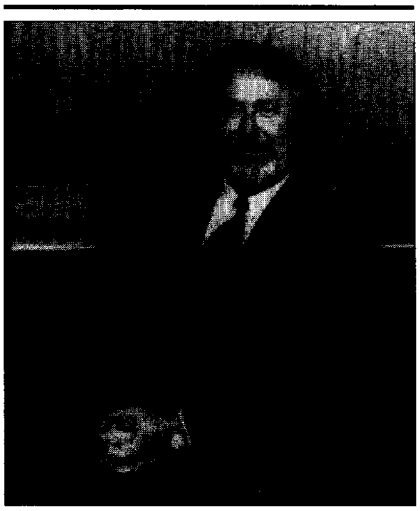
A whole other set of problems arises in comparing health care institutions with other non-profits or organizations of different ages. In 1993, AHP reported a median cost of 33 cents on the dollar for all health care institutions. Two years earlier, the Council for Advancement and Support of Education (CASE) announced a median cost of 11 cents for American colleges and universities. Does that mean college fund raisers are better at their job than hospital fund raisers? Of course not. It means that no standards exist to account for all factors.

Even within a single industry, the ratio of cost to dollars raised is bound to vary. A 50-year-old organization will almost certainly spend less per dollar than a brand new development office. A capital campaign ought to yield more per dollar spent than an acquisition mailing. Such inherent differences don't rule out consistency; they simply demonstrate the need to include all factors in a national standard.

In 1990, CASE reported the findings of a study conducted in association with the National Association of College and University Business Offices. "For the first time," the report read, "colleges and universities agreed on definitions for each type of advancement cost and kept uniform data for comparable results." The CASE *Currents* article on the subject outlines the factors used to compile the data. The list seems incomplete to me, and perhaps the report itself does not apply in some esoteric way to the realities of other industries, but at least it provides a starting point.

The fund-raising profession is maturing. The time has surely come for us to standardize our cost accounting for both expenses and revenue, across industries, so that we can accurately and fairly represent the valuable investment our donors are making in our worthy causes. If you have not already done so, I urge you to sit down with your own accountant and discuss the most appropriate way for your organization to calculate costs and revenues. And I urge the leaders of all our major professional associations to hold a council of chiefs, perhaps at the Center for Philanthropy in Indianapolis, for the purpose of developing some clear, basic guidelines for *all* charities. Any final recommendations must come from the accounting community, but we as development professionals must take the first step by coming out in favor of consistent accountability.

We must agree on one complete, honest, standard system that does not allow us to bury any costs or inflate any revenue. Our colleagues may adhere to these standards or not. But at least we will all know what they are. Only then will we be able to judge our own efforts and only then will our board members, volunteers, donors and communities feel fully confident that we have their best interests at heart. ◆



During his 10 years as executive director of Pacific Presbyterian Medical Foundation and vice president of development for the medical center, Jerry W. Mapp has overseen the raising of more than $30 million in cash gifts and more than $5 million in future irrevocable planned gifts. When Pacific Presbyterian completed its merger with the Children's Hospital of San Francisco, Mapp became president and CEO of the new medical center's merged foundation.

FYI...

Will Grant Be Buried In Grant's Tomb?

Descendants of President Ulysses Grant are threatening to remove the bodies of the president and his wife, Julia Dent Grant, from Grant's Tomb unless the site gets a renovation. Ulysses Grant Dietz, great-great-grandson of the former president, and other relatives charge that the National Park Service, which took over the New York City site in 1959, has allowed it to be overrun by homeless people, satanists and litter.

Although federal officials announced they would spend $375,000 on the site in 1994, Grant's relatives and supporters say the tomb needs millions of dollars worth of repair.

In April, Dietz and other supporters filed a lawsuit to force federal agencies to restore the tomb. The lawsuit asks for no money but seeks to assure that the memorial is "properly cared for and accorded due deference." Grant's Tomb gets only $125,000 a year for upkeep while the Jefferson and Lincoln memorials get a combined $5.2 million.

"The government is basically throwing nickels and dimes at the site," Dietz told reporters.

Earlier this year, state legislators in Illinois passed a non-binding resolution to bring the remains of Grant and his wife to Galena, Illinois, where he lived at one time.

Not only is Grant's resting place in disrepair—so is his birthplace in Point Pleasant, Ohio. Supporters there are trying to rescue the home from obscurity by building a museum dedicated to him and the Civil War.—**GG**

Inmate's Gift May Be Hoax

Thomas Phelan, in prison for armed robbery, promised to make a donation of $700,000 in property and over $300,000 in cash to a group of nuns in Cincinnati, Ohio. The Sisters of the Society of the Transfiguration were planning to use the money to fund a halfway house for women jailed in Ohio for striking back at their batterers.

A relative of Phelan's, who spoke under anonymity, said Phelan has no inheritance to give. The Trumbull County auditor's office said the property listed in the name of Phelan's parents was worth only $45,000.

Phelan, 42, says he was going to make the donation because the sisters' prison ministry was instrumental in helping him give up devil worship. The sisters had planned a prison banquet in honor of the donation, and in spite of the fact they may not receive any money or property, the reception was still scheduled to go on. —**ES**

Old PTL Heritage Hotel Has New Name

Begun as a religious retreat by Jim and Tammy Bakker and funded by the contributions of the TV evangelist's followers, the old Heritage USA vacation park and retreat in Fort Mill, South Carolina is now affiliated with the Radisson Hotel chain.

Managers say the 501-room Radisson Grand will retain its family image, with bans on smoking and alcohol. "It will still be known as a religious family resort," said Jim Smith, Radisson's district director in Charlotte, North Carolina.

Bakker was convicted of criminal fraud and conspiracy in 1989 and his PTL empire went bankrupt. Bakker was released from prison last summer after serving four years, *Fund Raising Management*, September 1994, page 10). —**ES**

BRIEFS:

The 11th annual Glendale (CA) Adventist Medical Center Foundation Golf Tournament raised more than $40,000 for two service programs—alcohol and drug services and teens in crisis...One year into its Vision 2000 Campaign, Nebraska Wesleyan University has raised more than $28 million—70 percent of its $40 million goal...Listeners to KCBI-FM, Dallas, TX, KCRN, San Angelo, TX and KSYE, Frederick, OK, donated over $1.5 million in the station's 1994 Sharathon, held October 3-17...Iowa State University has raised $1.25 million of its $2.3 million goal for the Iowa 4-H Foundation. Jurine Borton Moore, Mt. Vernon, Iowa, committed a deferred gift of $500,000 to the campaign. —**WO**