

# ADVANCEMENT SERVICES UPDATE



Advancement Services Update Volume 3, Issue 3

October 2004

## ADVANCEMENT SERVICES MISSION

To provide programs and services that support the fundraising and friend-raising mission of the Office of External Relations.

We are committed to client service, information sharing and to building internal and external relationships that support and contribute to the overall success of the mandate of the External Relations Portfolio.

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## DIRECTOR'S MESSAGE

Luanne Currie, Director - Advancement Services

It is my pleasure to introduce this edition of Advancement Services Update. It is our hope that you find these newsletters useful and relevant; to this end, we will be including more articles related to specific advancement issues and projects in upcoming newsletters.

In this issue, you will find articles about the cost of fundraising, FOIPP, the status of data integrity projects for advancement, and charitable taxation issues surrounding donated gift certificates, in addition to our regular features.

With regard to fundraising costs, I will be communicating with the development team on campus in the upcoming months to secure more specific information about development costs incurred in the faculties and various units. Commencing this year, External Relations will be required to disclose this information annually to the Board Audit Committee.

You may also be interested to know that all transfers of funding from the Development Office campaign budget to faculties for enhancing development activity have been initiated. Copies of budget journals will be dis-

tributed to you once Budget Administration has finalized the transfers.

I am pleased to report that, the Advancement Software Replacement Project is on time and on budget! We are pleased with the way this project is progressing as the dedicated team continues to make strides toward implementing an exemplary advancement information system. Particular thanks to Kelly Spencer for her leadership on this project. Please note:

### **GO LIVE IS APRIL 1, 2005!**

Advance will be available across campus on April 5<sup>th</sup>. Please make sure you are prepared for the new system. We would be happy to work with anyone who is concerned about what they need to do to be prepared, both in terms of hardware (see "Are You Ready for Advance?") and business processes.

Thank you for taking the time to pick up this edition of Advancement Services Update. As always, your feedback on this newsletter or any other Advancement Services matter is important to us.

**Advancement Software Implementation Project (ASIP) Website available at**

[www.uofaweb.ualberta.ca/advancement/advancement\\_Software\\_Project.cfm](http://www.uofaweb.ualberta.ca/advancement/advancement_Software_Project.cfm)

# Advancement Information Services

Advancement Information Services acquires, maintains and develops computer technology to ensure multifaceted access to high quality, secure and reliable alumni, donor and fundraising information.

Advancement Information Services (ADIS) has been focusing on the Advancement Software implementation. We have been configuring our environment, our data and the BSR modules for a successful implementation and transfer of data as well as anticipating future needs.

## Wired for success!

ADIS has completed workstation, software and server upgrades for the Office of External Relations. Thanks to this initiative the highest standards of security are now in place and all workstations are capable of supporting the new Advancement software.

Is your system ready to support the new Advancement software? Please see *Are You Ready for Advance?* (p5) to ensure your system will meet the minimum requirements to run Advance.

## Reports R Us

ADIS has recently brought to-

gether an Advancement Reporting Committee. The mandate of this committee is to identify the top 10 customized reports required from BSR Advance.



Customized Reports from BSR Advance

Committee representatives include members from Advancement Services, Alumni Affairs, the Development Office, and Faculty Development Officers.

While, the standard reporting functionality of BSR Advance is far superior to Viking, the reporting committee will identify the top ten unique reporting needs of U of A's Advancement Community. ADIS will work with the committee to ensure that

when BSR Advance goes live, custom reports will provide the campus community with timely and accurate information tailored to their needs.

While the group will be addressing the top ten needs of the Advance community, the RFI process will remain active to serve reporting needs not covered by these 10 customized reports.

## Future Focus

ADIS is preparing for the upcoming testing phase of the Advancement Software. We will be working with CNS to configure the necessary production environment (servers and databases) for the December test conversion. As well, the Configuration Phase of the Bio and Gift Modules is nearing completion. Please see below for further details on the Advancement Software implementation.

# Advancement Software Implementation Project

The Advancement Software Implementation Project (ASIP) is on schedule and proceeding according to plan. We are currently wrapping up the configuration phase of the Bio and Gift Modules.

In early October, Proof of Concept sessions were held for both the Bio and Gift modules. In these sessions, U of A data was

run through our system configurations for a preliminary test of functionality against business requirements.

The news coming out of the Proof of Concept sessions was very positive. Users were excited about the usability, flexibility and functionality of the system. For instance, the screens themselves capture data that used to require an RFI (Request for informa-

tion) to generate a report.

Data Mapping and configuration will continue as we prepare to move into the test and deployment phase of the Bio and Gift Modules.

For more information on ASIP, please visit:

[www.uofaweb.ualberta.ca/advancement/Advancement\\_Software\\_Project.cfm](http://www.uofaweb.ualberta.ca/advancement/Advancement_Software_Project.cfm)

# Advancement Financial Services

Advancement Financial Services provides complete gift processing from receipt to donor acknowledgement for all gifts received by the University of Alberta.

Advancement Financial Services (AFS) has been working with our new partners at Augustana to ensure a seamless gift receipting and acknowledgement process for donors to the Augustana Faculty. AFS has also been involved in preparing for the release of the BSR gift module.

## New Partners

AFS and Augustana Faculty staff have been working together to integrate aspects of receipting and

donor acknowledgement. AFS assumed responsibility for the gift receipting tasks of the Augustana Faculty effective July 1, 2004. A monthly process of data transfer has been established to allow Augustana to maintain donor acknowledgement procedures for gifts received on behalf of the Faculty.

## New Receipts

There will be new features on receipts in the coming months. AFS has been working with ADIS to

automate new elements on Gift in Kind (GIK) receipts in accordance with recent changes in Canada Revenue Agency guidelines. These guidelines state that receipts issued for GIK must include the Fair Market Value of the property transferred, the eligible amount of the gift and the appraiser's name.

Following the November 2, launch of Campaign 2008, all receipts will also feature the Campaign 2008 logo.

# Advancement Research & Prospect Management

Advancement Research and Prospect Management provides relevant and up-to-date background information about known and potential donors to a variety of areas on campus for the purpose of donor cultivation and the solicitation of funds in accordance with FOIPP guidelines.

Prospect Research has changed its name to **Advancement Research and Prospect Management (ARPM)** to better reflect the role played in the campus advancement community. Advancement Research and Prospect Management continues to focus on client requests from within the Development community while formulating a new prospect identification strategy and preparing for conversion to BSR.

## Electronic Data Screening

As part of the prospect identification strategy, ARPM has been investigating electronic data screening. Electronic data screening is a form of data mining that reveals potential donors by accessing a wide range of databases according to predefined criteria. ARPM is currently working on a pilot project of electronic screen-

ing that focuses on US alumni.

## Advance Data Management

Advance Data Management (ADM) is the document imaging system that will allow for the digitization of donor files in a format that is compatible with BSR Advance. The ADM implementation plan has now been completed and approved. The next steps in this process will include the purchase of the scanning system, training on the system and conversion of the files.

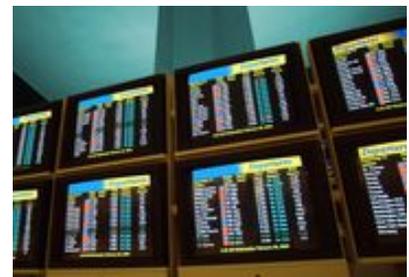
## FOIPP

The importance and impact of the Freedom of Information and Privacy Act (FOIPP) on university advancement cannot be overstated. Lori Bennett, Manager of ARPM, is also the FOIPP representative for the Office of External Relations. In her capacity as FOIPP representative, Lori worked with members of the Augustana Faculty to promote the integration of

University of Alberta policies and procedures for FOIPP compliance.

A training program to introduce the ATP staff (see Advancement Records, p. 4) to FOIPP principles and guidelines has also been established.

Please see *FOIPP Facts* in this issue for important reminders concerning FOIPP in the Advancement community.



Electronic Data Screening

# Advancement Records

Advancement Records performs integral database and information service functions for campus clients and alumni. They contribute to data integrity through ongoing biographic, demographic and other updates of constituent information.

During the past months, Advancement Records has welcomed back the Advancement Tracing Program (ATP), instituted a position to facilitate record and process integration with the new Augustana Faculty, and pursued a diverse range of data integrity projects.

## Advancement Tracing Program

The Advancement Tracing Program (ATP) resumed operation in September. The ATP is an evening program operated and staffed by U of A students under the guidance of Advancement Records. The program's mandate is to assist Advancement Records with the tracing of lost Alumni. This ensures the Advancement database contains accurate and up to date biographic and demographic information.

## New Partnership

As with all units in Advancement

Services, Advancement Records has been working with representatives of the new Augustana Faculty to integrate processes. We are happy to introduce Deanna Lasecki, Advancement Records Analyst - Augustana. Deanna is overseeing the process of integrating Augustana records. An initial analysis and update of Augustana records has been completed to facilitate the New Trail mail out.

## Project Tracking Process

Advancement Records engages in a diverse range of projects designed to maintain and enhance the data integrity of the Advancement database as well as to fulfill unique Faculty requests. To improve project planning and management, Advancement Records has developed and implemented a new project tracking system.

Combined with the recently implemented client service model, the new

tracking system will ensure greater accuracy in determining Faculty project goals and timelines.

## Data Integrity Projects

In addition to preparing data for conversion to BSR Advance, Advancement Records continues to work on data integrity projects. We are currently completing several projects. Additionally, during the month of October, we have traced 235 individuals, performed 5622 record updates and processed 1059 on-line community email forms.

A continuing focus will be preparing data and developing processes to improve the integrity of data brought into the database via interface with other campus systems prior to conversion to BSR Advance.

# Human Resources Update

We would like to take this opportunity to welcome a few new team members. **Ellen Binks**, Manager of Advancement Records and Administration will be with us while Kendra Christie is on maternity leave.

**Deanna Lasecki** joins Advancement Records with specific responsibility for ensuring that data from Augustana Faculty is as accurate as possible before uploading into BSR next spring.

Advancement Information Services (ADIS) is pleased to welcome **Elvira Akmetshina** to the team as the Annual Giving Reporting Analyst. Elvira has a Masters in Computing



Science from the University of Alberta and brings with her a wealth of experience in reporting and database management.

Please note that we will be hiring a new temporary Manager of Charitable Accounting and Reporting

to replace Laura Swanstrom who is also currently on maternity leave.

Finally, we would like to wish **Colin Harford** all the best as he leaves for a new position on campus. Colin has been instrumental over the past year in a number of projects in Advancement Services, including upgrading the workstations and network located on the 6<sup>th</sup> floor GSB and drafting infrastructure solutions to support the Advance software.

## Gifts Held in Suspense

Last year the Auditor General indicated to the Audit Committee of the University of Alberta that a more timely clearing of the Development Office Suspense account was required. We would like to thank you for your cooperation in helping to move many donations that had been in suspense for some time from this account. This improvement was noted by the Auditor General this year.

That being said, this year the Auditor General is now requiring that each item held in this suspense account be identified in the account reconciliation with an expected clearing date and expected funding classification (unrestricted, restricted, capital or endowment contribution). You may not know this, but gifts that reside in suspense are not considered income; rather, they are considered to be a deferred contribution and are actually classified as liabilities on the University's financial statements. What this

means, in essence, is that until we direct the gift toward the appropriate purpose, the funds are considered to be on loan from the donor. Requiring an expected clearing date and fund classification will ensure that these contributions are being reflected properly in the university accounts and reclassified as income in the appropriate time period.

In order to ensure that these audit points are addressed we will require help from each faculty that has contributions in this suspense account. Monthly, each faculty development officer will be contacted and asked to identify the expected date of clearing and expected funding classification for contributions residing in the Development Office Suspense Account. We would greatly appreciate your cooperation to ensure that donations are properly recorded and reflected in campaign totals as well as in the University financial statements. It

is the view of the Auditor and others that items that remain in suspense for extended periods of time may be considered as not being used according to the donors wishes. This becomes a stewardship issue which may reflect very negatively upon the University.

Very shortly each faculty will be e-mailed a detailed document outlining these requirements and the procedures for the handling of long term suspense account items. Please be sure to read and take note of these procedures to ensure we steward these gifts appropriately.



## Are You Ready for Advance?

To effectively use Advance, your system will need to meet the hardware and software requirements listed in the chart below. If you have questions or require further clarification, please contact Ron Stonehouse at 492-9454 or [ron.stonehouse@exr.ualberta.ca](mailto:ron.stonehouse@exr.ualberta.ca).

Component	Minimum Requirement
Processor	Pentium - based PC
Memory	256 MB of RAM
Monitor	1024 x 768 resolution
Hard Disk Space	60 MB
Operating System	Windows 2000 SP4 Windows XP SP1 or SP2

## FOIPP Facts

Did you know that any communication from the University of Alberta that requests personal information from alumni, friends or donors requires the inclusion of the following statement?

The personal information requested on this form is collected under the authority of Section 33 (c) of the Alberta Freedom of Information and Protection of Privacy Act for the purpose of (fill in the purpose here, for example “updating information of University alumni and friends,” or “for recognition purposes”).

If you have any questions concerning the collection, use or disposal of personal information, please contact: Lori Bennett, at 492-0328 or [lori.bennett@exr.ualberta.ca](mailto:lori.bennett@exr.ualberta.ca).

The University of Alberta’s Information and Privacy office hosts a website with valuable information concerning the FOIPP Act and its implications for the University. Please visit: <http://www.ualberta.ca/FOIPP/>.

## In the News...



Advancement Services’ Tara Myers, Advancement Project Assistant, made the Express News with her Workplace Wellness Practicum. In completion of her Physical Education degree, Tara created a virtual race to foster friendly competition among External Relations

staff as we exercised our way across Alberta. Congratulations on an excellent program, Tara! For the full story, please see:

[http://www.expressnews.ualberta.ca/expressnews/articles/ideas.cfm?p\\_ID=6047&section=Student%20View&s=m](http://www.expressnews.ualberta.ca/expressnews/articles/ideas.cfm?p_ID=6047&section=Student%20View&s=m)

## The Cost of Fundraising at the U of A

Accountability continues to be a key issue in advancement as the charitable sector expands and agencies supporting a plethora of worthy causes compete for limited giving opportunities. A commonly asked question by donors is, “How much of my gift is used for administration and fundraising and how much goes specifically to the program that I am supporting?” Identifying the cost-benefit of development programs is also an important internal issue at the University of Alberta as central and faculty-based advancement staff operate together in an environment that is competing for continually diminishing operating funding. External Relations is required to report annually to the Board Audit Committee of the University of Alberta on costs associated with fundraising. As an institution, the University of Alberta is also aligned with the Canadian Centre for Philanthropy’s code of ethics; this code also requires annual reporting on costs.

To truly understand this issue,

a number of questions must be posed: Are there standards for computing costs associated with fundraising? Do other institutions follow them? How much does it cost to raise a dollar at the University of Alberta? How do we compare to other institutions in Canada in this regard? And, is the cost any indication of the effectiveness of the program?

Some of the most recent guidelines for computing the costs associated with fundraising were published by the Council for Advancement and Support of Education (CASE) in 1990. They are marked with an up-front disclaimer that most institutions do “their own thing” when computing these costs. In the early 1990s, a task force was commissioned by the Canadian Council for the Advancement of Education (CCAEE) to develop reporting standards for Canadian colleges and universities. The result is a set of guidelines that generally follow the CASE 1990 guidelines, with a few exceptions.

At the University of Alberta, we are projecting that costs associated with Campaign 2008 will be approximately 14% of total funds raised; however, if we exceed the goal, costs will be correspondingly less. If, for example, we raise \$400 million, without incremental investment in the fundraising operation, our cost of fundraising will drop to about 11%. The average cost to support 1 FTE of fundraising is approximately \$112,500 per year, including salaries, support and operating costs. For each FTE that we invest in, we receive over \$870,000 annually in fundraising returns. This means that at 14%, the return on advancement expenditures at the University of Alberta is about seven to one.

Research suggests that, generally, the larger the institution and the more mature the program, the lower the costs; however, there are many mature and well-respected American institutions that report costs over 20%. In Canada, institutions use varying methods for calculating the costs

**Continued from page 6...**

associated with fundraising. For improved consistency, many use the United Way as a benchmark for comparison where, nationally, 15 to 20% of each donation is used to fund administrative and fundraising costs.

Research also suggests that there are many ways to approach this issue. The Canadian Centre for Philanthropy study conducted in 1996 found the average cost to raise a dollar in Canada to be 26 cents. In the United States, a recent Harvard Business Review study on this matter reports the average to be 18%; and, in March 2004, the American Better Business Bureau's Wise Giving Alliance released a recommended stan-



dard of 35%. The current web version of CCAE Reporting Standards reports the total cost for advancement in relations to funds raised is, on average, 19%. Finally, a recent study by the Council for the Advancement of Studies in Education (CASE) reports a range of anywhere from 15% to 35%.

We must take note of one significant point regarding the method used to calculate this ratio. In the United States, the costs of fundraising are calculated in relation to the sum of the campaign goal, the net present value of planned giving expectancies and non-contractual, non-government research grants. When we consider a \$99 million net present value in expectancies as well as an estimated \$328 million in non-contractual, non-government grants over the 8 year period of the campaign, cost of fundraising at the University of Alberta, for the purposes of comparison only, would be 6%. Regardless, Canada Revenue Agency Charities Directorate policy states that costs of fundraising cannot exceed 20%.

It should be noted that the costs associated with fundraising at the University of Alberta have been carefully analyzed by professional accountants in Advancement Services. The figures and the methodology used to compile them have also been reviewed by the consulting firm Marts & Lundy, who concluded that we have carefully evaluated our costs and have included all possible campaign related expenditures in our numbers. Included in our cost figures are all costs associated with the central Development Office and Advancement Services as well as estimated costs for development professionals and their support costs in the faculties.

Careful analysis aside, the question remains about the usefulness of the cost of fundraising ratio. James Greenfield, in his book "Fund-Raising Cost Effectiveness: A Self-Assessment Workbook" (1996) notes that the costs of fundraising vary greatly across institutional fundraising programs and that more meaningful benchmarking might come from comparing fundraising costs by program rather than by institution. Annual gifts, for example, are exponentially more expensive to secure than major gifts. Richard Steinberg, in "Economics and Philanthropy: A Marriage of Necessity for Nonprofit Organizations" suggests that ratios reflecting the cost of fundraising are irrelevant; rather, he suggests that advancement operations should continue to finance fundraising up to the point where it costs a dollar to raise a dollar. His view is that fundraising is effective as long as the funds raised are greater than the cost of raising

them.

A 1990 publication jointly produced by CASE and NACUBO (Expenditures in Fund Raising, Alumni Relations and other Constituent (Public) Relations, 1990) raises several points regarding the dangers of misinterpreting fundraising cost ratios. Notably, the study suggests that fundraising efficiency should not be confused with fund-raising effectiveness. The objective of an institution's program should not be to spend as little as possible each year to raise money, but to maximize the dollars raised. The study also suggests that further study is required on the issue of short and long term benefits of investing in fundraising. Institutions must grapple with the fact that a portion of current fundraising returns is linked to past effort; and, some of today's investment in fundraising will produce future rather than immediate returns.



The cost benefit of fundraising at the University of Alberta is substantial. Fundraising provides current revenue for urgent immediate needs such as scholarships and bursaries, world class teaching and research facilities and the recruitment and retention of outstanding faculty through chairs, professorships and institutes. And, long term needs are being addressed through a continued increase in the value of the endowment pool. Since 2000, endowment funds have increased in value by approximately \$60 million, due primarily to successful fundraising and in spite of an extremely volatile market.

# Gift Certificates

Gift certificates are often donated to the University of Alberta to be used in auctions and other fundraising events. The Canada Revenue Agency (CRA) provides guidelines to determine when gift certificate donors can receive a charitable tax receipt.

## Definitions:

**Gift Certificate** means a certificate having a stated monetary value entitling the recipient to purchase goods or services in the establishment of the issuer.

**Issuer** means the person (individual, retailer, business etc.) who creates a gift certificate redeemable for goods and/or services from that person.

## CRA Regulations:

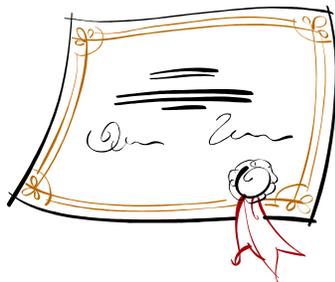
As a rule, registered charities cannot issue official tax receipts for donations of gift certificates received directly from the issuer, except as specifically permitted by CRA.

According to CRA, an official tax receipt can be issued to a donor who is not the issuer of the gift certificate and has obtained the gift certificate for valuable consideration, either from the issuer or other third party (i.e. they have paid for it, in some form, themselves).

### **When an official tax receipt can be issued:**

When a person purchases, or other-

wise obtains for consideration, a gift certificate and donates it to a charity (i.e. the issuer of the gift certificate is not the donor).



When the issuer donates a gift certificate directly to a charity, the issuer may be eligible for an official tax receipt when the charity redeems the certificate for property. To be eligible for a receipt, the charity must redeem the certificate for some form of property, other than for a continuation of services by the issuer.

### **When an official tax receipt cannot be issued:**

When the issuer donates a gift certificate directly to a charity, the issuer is not entitled to an official tax receipt at the time the donation is made.

Where the issuer donates a gift certificate directly to a charity, and the charity transfers the certificate to a third party (e.g. at an auction or a raffle), the redemption of the gift certificate by the third party does not entitle the issuer to an official tax receipt.

## Valuation of Gift Certificates

CRA takes the position that in some situations, the face value of a gift certificate may not necessarily be its fair value. The official tax receipt issued by the charity must state the fair market value of the gift certificate in question. Factors which may reduce the value of a gift certificate may include the flexibility, usefulness, and expiry of the certificate.

Often when the donor is also the issuer, they do not necessarily want an official tax receipt; a business receipt may be all they require.

If you have a donor that is interested in donating a gift certificate for which they are the issuer and if they request a charitable tax receipt, please make them aware of when they will be entitled to an official tax receipt. This is particularly important when special events are involved. Individual Faculties and Departments can issue business receipts from their office.

Further information can be obtained from Charity Law Bulletin No. 33 Carters.ca

[http://www.cra-arc.gc.ca/tax/charities/policy/gift\\_certificates-e.html](http://www.cra-arc.gc.ca/tax/charities/policy/gift_certificates-e.html)

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