

# Finance

*CFRE*  
*Certified Fund Raising Executive (CFRE) Exam*

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# Latest Version: 6.0

## Question: 1

What does the term "two-life charitable gift annuity (CGA)" mean?

- A. The donor buys a CGA for himself and his spouse.
- B. The CGA payout will be determined by the annuitants' ages.
- C. The CGA payout goes to both annuitants simultaneously.
- D. When the donor dies, payments to his spouse will stop.

**Answer: A**

Explanation:

An annuity buyer can purchase a single-life annuity for him- or herself. The buyer will be paid in installments, and when he or she dies, the charity keeps the principal. A buyer also can purchase an annuity for him- or herself and his or her spouse, and it's called a two-life annuity. The other answers are incorrect because they don't speak to the specific definition of a two-life charitable gift annuity (CGA).

## Question: 2

A major gift solicitation plan begins with finding what crucial piece of information in an individual's file?

- A. A report on the donor's stock holdings gleaned from the Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database
- B. A development officer rating the donor as "qualified"
- C. A copy of the pages from his will that describe a bequest designated for the nonprofit
- D. A code that screening and rating software has provided

**Answer: B**

Explanation:

If the individual has been "qualified," the development staff has decided that the individual has a strong propensity for charitable giving, your nonprofit is his priority, and he or she has the wealth to make a major gift.

## Question: 3

What best describes a bequest?

- A. Irrevocable
- B. A gift of privately held stock

- C. Revocable
- D. A verbal agreement

**Answer: C**

Explanation:

A bequest can be changed at any time. Nonprofits may take a bequest through a process of discounting, which seeks to place a present-day value on the gift that will come in the future.

### Question: 4

Does a donor receive credit for his or her gift when the nonprofit opens the envelope containing his check?

- A. Yes, the nonprofit has to receive the gift to give credit for it.
- B. No, the donor's date of gift is the postmark on the envelope.
- C. Yes, the nonprofit is required to stamp it with the date when they open it, and that is the date the gift is given.
- D. No, the nonprofit has to deposit it in the bank before any credit is given.

**Answer: B**

Explanation:

The donor's date of gift is the postmark on his envelope. The general principle is the date that the donor relinquishes control of the charitable donation is the date of the gift. Placing a check in an envelope and mailing it is considered relinquishing control. The postmark on the envelope proves the date when he should be credited. This is very important to donors who mail their gifts on or before December 31.

### Question: 5

What do the acronyms LYBUNT and SYBUNT stand for?

- A. Last Year But Unfortunately Not This and Some Year in the past But Unfortunately Not This -they are annual fund vocabulary words.
- B. Liabilities listed by Year in all Bonded Unified Non-Grantor Trusts and Securities listed by Year in Base currency in a Unified Non-Grantee Trust-nonprofits have to see investments in trusts.
- C. Liquid Yield Bond Uniform Noncompliance Tax and Scheduled Yield Bond Uniform Noncompliance Tax-noncompliance taxes lower the values of bonds.
- D. List Your Baseline Unitrusts and their Net Transaction exposure and Schedule Your Baseline Unitrusts and their Net Transaction exposure-exposure indicates legal vulnerabilities.

**Answer: A**

Explanation:

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These acronyms are used to write code for the database to sort and produce direct mail lists. LYBUNT means Last Year But Unfortunately Not This. The list will contain the names of donors who gave last year but not yet this year. SYBUNT means Some Year But Unfortunately Not This. This list will contain the names of donors who gave sometime in the past or some year but not this year yet. PYBUNT means Past Year But Unfortunately Not This. Specifically, the term "past year" means two years ago. These acronyms are important only when a nonprofit is segmenting its direct mail. For example, a LYBUNT letter may say, for example, "Thank you for your gift of \$50 last year. Unfortunately, we haven't heard from you yet this year."

### Question: 6

When a capital campaign manager begins to assemble a plan to reach a campaign goal, what is one instrument he or she can use to illustrate what gifts will be needed?

- A. A gift table
- B. A timeline
- C. A construction schedule with named gift opportunities
- D. A pie chart showing sources of funding

**Answer: A**

Explanation:

A campaign manager creates a gift table that shows how many gifts at each dollar level will be needed to meet the goal.

### Question: 7

What term refers to an individual who becomes the subject of wealth research but is not yet assigned to a development officer?

- A. A prospect
- B. A suspect
- C. A target
- D. A partially identified subject

**Answer: B**

Explanation:

The development office suspects an individual is a prospect but doesn't know yet that it is true. The information backing this up is only conjecture. A suspect converts to a prospect when conjecture turns into solid facts.

### Question: 8

What should the donor recognition page of a nonprofit's website always include?

- A. All donors' names and the giving categories they fall into
- B. A mechanism to make a stock transfer online
- C. Photos of the gifts a donor can receive from the nonprofit
- D. A threshold for giving-level recognition

**Answer: A**

Explanation:

Most nonprofits print an annual donor list to recognize generous people that support them. (

### Question: 9

When a donor's stockbroker or wealth advisor calls to notify the development office that his or her client is sending a stock or bond gift electronically, what are the most important questions to ask?

- A. What is your client's name? What is the name of the company that issued the stock?
- B. What is the value of the stock? Is that its value today?
- C. What is your firm's account number? What bank do you use?
- D. What was the value of the stock when your client bought it? What year did he or she buy it?

**Answer: A**

Explanation:

Many gifts come in by wire transfer without the donor's name and the name of the stock. The stockbroker should identify the client and the name of the stock.

### Question: 10

When a donor expresses a desire to create a trust so the nonprofit will be included, who should write the trust document?

- A. The development officer with the trust officer
- B. The development officer with the donor's attorney
- C. The donor's attorney
- D. The donor's accountant with the family's approval

**Answer: C**

Explanation:

A development officer should be very clear that writing a trust document should be done by the donor's attorney. Development officers generally are not practicing attorneys. If they are law school graduates, they still should advise a donor to hire his or her own counsel to work on the donor's behalf. This prevents any appearance of manipulation. Development officers may not suggest one attorney in

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particular. They should present a list of excellent attorneys to the donor, if asked. The nonprofit never pays the donor's legal fees.

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