

Go! Recognize When a Gift is Not a Gift



Go forward.

84%

of the \$241 billion given to charities
in 2002 came from individuals.¹

"All that glitters is not gold"

We all love to receive gifts—large and small. This is especially true for nonprofit organizations that rely on those gifts for operations, capital, expanding, and updating programs. Should they accept every gift?

Like candy from a stranger, sometimes its best to say "no thank you."

Often the reasons are apparent:

- a tobacco company offers \$10,000 to a health organization; or
- Blue Beard gives his doubloon collection to a women's shelter.

Both create an unfavorable association for the nonprofit.

Sometimes the reasons are not so apparent, but more tangible:

- The proposed gift of property has a lien. Time, legal fees, and settlements may exceed its value.
- A donated building could become your charity's headquarters. But renovation, regular maintenance, and on-going improvements will stretch the charity's revenue beyond its limits.

Accepting unusual gifts or gifts offered through unfamiliar fundraising vehicles are best done thoughtfully. Consider the immediate and long-term consequences of the gift.

In an April 1999 issue of *Planned Giving Today*, Kathryn W. Miree suggests asking these (and other) questions.²

Does it further the mission of the nonprofit?

Will it cause a public relations problem?

Does accepting the gift bring financial or management obligations that the nonprofit can and should handle over the years?

Is the property marketable?

How to Use a Go! Guide

1. Read the guide text for practical advice.
2. Use numbered "Endnote" links that match with Superscript numbers (like this one ¹) after key text points. You'll link to materials that expand on the key points.
3. Use other Web sites in the "General Resources" for more access to practical information.
4. Not getting the answers you need? Call for help from the Allen County Public Library Nonprofit Resource Center at (260) 421-1238.

Other questions deserve well-researched answers as well.

- *Does acceptance of the gift create a real or perceived conflict of interest with someone associated with the agency?*
- *Does the board have all the necessary information and knowledge needed prior to voting on accepting the gift?*

Nonprofit managers and board members often handle these issues when they arise and learn along the way. Things go more smoothly and better protect the nonprofit's and the donor's interests by planning ahead with board-approved gift acceptance policies.

Gift acceptance policies

According to Beth Engle, it's okay to ask a colleague for their agency's gift acceptance policies, but keep in mind that the right policy for their organization may not be right for your organization at this time and place. She says that, "Copying another organization's gift acceptance policy is analogous to wearing somebody else's clothes ...it will rarely fit!"³

Engle also recommends that we write gift acceptance policies by involving the key players in our organization—development staff, finance personnel, program administration staff, management, and board members.

- Making this a collaboration gives everyone a better understanding of the development process.
- Fundraisers will better understand what those who must meet donor expectations *after* the gift is accepted face.
- Board members and others will be inspired by new ways to support your organization.

The first rule is—consider gifts in light of mission. If a donor wants to fund a project that does not further your mission, accepting it is not wise. Doing so will drain resources from mission-central programs.

Restricted gifts

All nonprofits prefer gifts with no strings attached. Donors, on the other hand, often wish to influence how their gift is used.

With this in mind, decide what kinds of restrictions are workable for your organization. For example, it may not be practical to accept restricted gifts under a certain dollar amount. Or, you may wish to set up specific funds or endowments that appeal to your donors and further your mission and priorities.

Securities

Most charities accept publicly traded securities (those readily traded on national or regional stock exchanges). Donors find this giving vehicle attractive because they get a tax deduction and a break on their capital gains taxes. This makes for a larger gift at less real cost to the donor!

Policies should tell how securities should be handled. Does your organization have a relationship with a broker and an account to receive securities? How do you value gifts of stock? Is it best to sell them immediately or hold onto them hoping they increase in value?

Planned gifts

In their book, *Planned Giving for the Small Nonprofit*, Jordan and Quynn write that deferred gifts can have long-term implications for organizations. For example, some deferred gifts require that the donor receive a stream of income for life. Gifts of real estate can cause you to become a broker and landlord. Tangible personal property may require insurance and storage costs. Position yourself with the resources to manage such gifts. Most certainly, you want to know when a planned gift is truly a gift and not motivated by the donor's wish for personal gain.⁴

Further, Jordan and Quynn say that, "unless an organization has a dedicated planned giving staff or can hire a professional to promote and manage estate planning, it may be wise to decline traditional planned gifts. Most nonprofits, especially those just embarking on a planned gift program, will not be able to accept all types of gifts because they lack the expertise or the resources to manage the gift or gift form."

Real estate

BoardSource explains that, "Real estate gifts are the trickiest gifts to accept. When conducting real estate transactions:

- understand all the laws and regulations and hire a skillful broker;
- evaluate the gift by requiring a professional appraisal and title report, order an environmental inspection, and physically inspect the property; and
- calculate eventual repair costs, legal and sales expenses, and assess obstacles for selling the property (liens, zoning issues, donor restrictions)."⁵

Legal counsel

In planned giving and unusual gifts, having legal counsel is a fiduciary responsibility. In its ethics statement, the *National Committee on Planned Giving* says that you will also want to encourage your donors to have their own independent counsel.⁶ This ensures that each party has legal expertise to look out for their interest.

As nonprofits, you put lots of thought and energy into attracting and stewarding charitable gifts. Due diligence is also required before accepting unusual gifts. Gift acceptance policies will provide a roadmap to prevent accepting gifts that will cost your nonprofit time, money, and possibly its reputation.

To be effective, policies must be in place before the organization is put in an immediate situation with a donor. Then you will be able to handle the gift offer with grace and in a way that preserves donor relationships.

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Research was completed December 29, 2004. The sites below were active at that time. For your convenience, copies of all information are available at the Allen County Nonprofit Resource Center.

Endnotes

¹ <http://www.philanthorpy.iupui.edu/announce.html#million>

² Kathryn W. Miree, *Fine-Tuning Your Gift Acceptance Policies* *Planned Giving Today*, April 1999; http://www.pgtoday.com/pgt/articles/fine_tuning_your_gift_acceptance_policy.htm

³ Beth Engel; *Creating Gift Acceptance Policies*; Gardner, Carton & Douglas; http://www.afpcchicago.org/professional_resources.php

⁴ Ronald Jordan and Katelyn Quynn; *Planned Giving for Small Nonprofits*; John Wiley and Sons; 2002

⁵ BoardSource, *Accepting and Refusing Gifts*; www.boardsource.org/TopicPaper/TopicPaper.asp?ID=63

⁶ The National Committee on Planned Giving; *Ethics and Standards for the Charitable Gift Planner*; http://www.ncpg.org/ethics_standards/model_std.asp?section=7

General Resources

- Kathryn W. Miree; *Understanding And Drafting Nonprofit Gift Acceptance Policies*; www.giftplanners.com/Pdfs/Understanding.Pdf

Sample policies:

- <http://www.greatercincinnatiifdn.org/page265.cfm>



For good. For ever.

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