

Reviewing Donation-Related Policies

05.18.21 | Linda J. Rosenthal, JD



Effective and diligent nonprofit directors understand the importance of adopting and regularly reviewing formal written policies and procedures. See [Updating Nonprofit Corporate Policies](#) (March 16, 2021). “The purpose of policies is to protect and steer the staff and the board as they fulfill the mission of the organization.” They are best viewed as dynamic documents, adaptable to situations that arise in the life of an organization.

The pandemic was the catalyst for almost every organization in America to take a hard look at its core mission and values as well as activities and operations. Some COVID-19 adjustments may turn out to be temporary measures only. Others may have longer staying power.

Organizational leaders will have a lot on their plates in the coming months as we – collectively – emerge from pandemic-crisis mode. But among the top priorities should be evaluating current and future needs in terms of policy documents.

Among the most consequential are those relating to charitable gifts, the financial lifeline for many groups. At the top of that list, recommended for organizations of all sizes, is the “gift-acceptance policy.” It’s a term most commonly used in the *narrow* sense of a document that describes which donations an organization will (or should) accept or not. But, alone, it’s not enough. There should be companion policies and documents including a variety of “gift agreement” and “gift-acknowledgment letter” templates.

First up: Let’s tackle some document definitions, so your policy-needs reviews make better sense.

Gift-Acceptance Policy

Should a nonprofit say “yes” to each and every donor (and donation) that walks in the door? A written gift-acceptance policy helps with answers – well ahead of time. See, for instance, the article and resources on the website of the National Council of Nonprofits, [Gift Acceptance Policies](#).

A simple example of a donation category that may pose problems is a non-cash gift that is too difficult or expensive to accept – think a racehorse or an out-of-the-way property with a hazardous business on it.

Another type of charitable contribution that should be politely rejected is one that comes with too many or cumbersome strings and restrictions, or that is out of sync with the organization’s mission or values.

And another reason to say a firm “no” to a donation is that it’s “tainted”: Either the donor is unsavory or that person’s money arises from an objectionable source or method. Sadly, this is fairly prevalent. Consider the too-frequent headlines about upright citizens who have recently been unmasked as scoundrels.

A well-considered and tightly drafted gift-acceptance policy helps an organization in several ways. First, it’s a policy document set in place *ahead* of a prospective solicitation or offer of a donation, so a donor won’t feel disrespected or singled out if the gift is not accepted. Second, it’s advance guidance for board and staff who may be fundraising or otherwise contacted in connection with a proposed contribution.

Because the policy serves several purposes, many organizations prepare multiple document templates for different audiences. For instance, there can be a formal document titled “Gift-Acceptance Policy” that is directed at the general public or prospective donors – available on the website or by request. And there can be one or more *internal* guides or explanations that help insiders understand the policy itself and the reasons for each provision. An example is a procedural manual setting out the way that the board, staff, fundraisers, and volunteers should handle and evaluate prospective non-cash donations.

“Having a gift acceptance policy in place is considered a ‘best practice’ from multiple perspectives – whether relating to relationships with donors or managing the nonprofit’s own risks.”

Gift Agreement

“A donation [or gift] agreement may be used to ensure that a donor’s promise can be relied upon, set the expectations of both donor and donee, and prevent misunderstandings.”

It’s different from a gift-acceptance policy, although often the two are confused or conflated. The gift agreement is “expressly for the purpose of spelling out and documenting what the donor expects and what the nonprofit is committed to providing.”

There should always be such a formal document for any donation that meets the “major gift status” defined by the organization itself.

Other situations that call for a written, individualized, agreement include donations that –

- Are “subject to restrictions or that that allow the donor control over” future use
- Will be “held, invested, or disbursed pursuant to certain agreed-upon terms”
- Involve naming-rights

Among the goals for a successful gift agreement is a detailed description of any intentions of the donor, including restrictions, and conditions. Another objective is an explanation of “when and how the nonprofit might alter the use of the funds” or might be excused from strict performance because of extenuating circumstances including government-imposed restrictions or prohibitions. (These days, contracts of all types now cover contingencies or modifications in case of catastrophically disruptive events including “insurrection,... civil unrest,... (and) pandemic....” That type of clause used to be considered a bit ridiculous. It doesn’t sound so crazy anymore, does it?)

Gift-Acknowledgment Letter

“Gift-acknowledgment letters are important for two reasons,” according to Candid Learning. First, they provide proof so donors can claim a tax deduction. Second, they let you thank donors for their generosity, helping you build a relationship for future support.”

There are strict substantiation rules for claiming any contribution of \$250 or more. There must be proof in writing in *exactly* the manner specified by the government; any deviation, however minor, can jeopardize the deduction.

More specifically, “the IRS requires public charities to send a written document acknowledging the donee-organization’s name and a prescribed description of any non-cash gifts. If the donor receives goods or services – even food at a gala dinner or concert tickets – the written gift-acknowledgment letter must disclose if the value is more than \$75. If no value is received, the letter should indicate that instead.

The gift-acknowledgment letter serves a critical public-relations function, too. “As for thanking donors, here’s your chance to address them personally and sincerely.”

Conclusion

Some of the most popular posts in our seven-year blog history have been about trends and traps in charitable gifts and giving: for instance, tainted donors and donations, pitfalls of naming rights and other perks, and overly restrictive or cumbersome gifts.

There’s no chance at all we’ll run out of topics any time soon.

— *Linda J. Rosenthal, J.D., FPLG Information and Research Director*