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A bad gift can be defined as one that leaves a charity worse off than if no gift had been made. Some gift planners might argue that even a gift that produces some benefit for the charity can still be a bad one if either (1) dealing with it draws heavily upon resources that would clearly be better devoted to other gifts or (2) the gift simply results in a lot of headaches and hassle.

Anyone who has been involved with a bad gift is loath to repeat the experience if at all possible. Fortunately, adopting – and adhering to – sound gift acceptance policies can go a long way toward helping a charity avoid bad gifts.

### **Beyond “Gift Rejection” Policies**

Seasoned planned giving officers sometimes acknowledge with more than a bit of irony that gift acceptance policies are valuable primarily because they afford a principled basis for declining a bad gift. Indeed, such policies preclude the charity from having to make ad-hoc decisions, thereby tending to decrease the likelihood a particular donor will “take it personally” when informed that what he or she is contemplating fails to meet the charity’s criteria.

Before focusing on all the things that can make a gift bad, however, it’s worth noting that sometimes bad gifts can be turned into good ones. The best gift acceptance policies not only establish sensible minimum standards, but also help gift officers and donors envision giving arrangements the charity will eagerly and gratefully pursue and accept.

Thus, at least part of discouraging bad gifts is encouraging good ones. This has marketing implications as well as policy implications. The more a charity can profile good gifts (and, in the process, let it be known that certain gifts are subject to scrutiny, e.g., “After performing a comprehensive assessment of Mr. Donor’s house, ABC Charity determined that it would be pleased to receive the property”), the more it can foster among supporters an awareness that both accommodation of donor wishes and wise management of the charity and its assets are important objectives.

In light of the foregoing, when a charity recently asked PG Calc to review its existing gift acceptance policies, the following sentence stuck out: “ABC Charity will attempt

to minimize the number of illiquid gifts it accepts.” A more positive approach would be for the organization to seek to maximize the number of suitable gifts of illiquid assets it receives and to communicate with donors proactively regarding what it would deem to be suitable.

### **Trying Not to March in the Parade of Horribles**

A gift can be bad if there are serious concerns about any of the following:

- the asset to be contributed
- the way the gift is to be structured
- what the charity is required to do once it receives the gift

Helpful, effective policies outline what sorts of assets, arrangements, and restrictions are always acceptable, what sorts are never acceptable, and what sorts might be acceptable under various circumstances. With respect to this last category, describing the circumstances under which a gift *might* be acceptable can be a tricky exercise.

Nevertheless, a useful guiding concept is to devote greater attention to those types of gifts the charity thinks it will be called upon to consider more often than others. For many organizations, this will involve addressing assets such as real estate and closely-held business interests, gift arrangements that may involve the charity serving as a trustee, or the feasibility of various kinds of conditions a donor may wish to place on how a gift is to be used. By contrast, if a charity has little reason to believe it will be offered a lot of gifts of, say, boats, it does not need to spend much – if any – effort on developing detailed acceptance criteria for this type of asset (whereas if the charity were a maritime museum, it definitely would need to do so!).

Another guiding concept is to spell out a process for assessing gifts that might or might not be acceptable, drawing upon whatever criteria may have been set forth elsewhere in the policy document. Recognizing that final authority for such decisions ultimately rests with a charity’s governing board, many organizations usually delegate a fair amount of authority to a gift acceptance committee. This can be either a committee that already exists, such as an executive committee or a finance committee, or a committee convened from time to time as necessary. In the latter instance, the committee can consist entirely of staff members, entirely of board members (or perhaps other volunteers, selected for their expertise in one or more areas), or of some combination. The ideal size for a gift acceptance committee

is often four or five persons.

Alas, a charity may not be able to eliminate subjectivity completely, but it should make its criteria, along with the processes for applying those criteria, as objective and defensible as it can. It is for this reason that the tough decisions should be made by a group rather than an individual. Moreover, the group should strive to the extent possible to reach conclusions by consensus.

### **Good Gifts from “Bad” Donors**

Some charities have also developed standards that take into account not only the asset, the arrangement, and the purpose associated with a gift, but also the nature or identity of the donor. This means an otherwise acceptable gift could be declined by a charity if what the donor “stands for” is at odds with the charity’s mission or reputation. Here again, the more an organization can be explicit about those from whom it will, will not, and might accept gifts, the better, with a gift acceptance committee available to play a role if necessary.

On the other hand, some organizations do not extend their scrutiny to who the donor is. They believe that any and all gifts that help give it the financial wherewithal to carry out its mission are good gifts, so long as other applicable criteria are met. In short, while some charities feel strongly that bad donors can make for bad gifts, others are not nearly as concerned about the potential for controversy or embarrassment.

### **Policies vs. Procedures**

To their detriment, some charities fail to distinguish between *policies*, which are the prerogative (and duty, really) of the board to declare, and *procedures*, which are properly the realm of staff activity. Boards that mire themselves in matters of procedure risk engaging in counterproductive micromanagement.

Moreover, neither policies nor procedures should recite what the law already requires. At the policy level, even a statement such as “The ABC Charity’s planned giving program shall be operated in compliance with all applicable federal, state, and local laws,” is unnecessary, as such compliance should be assumed. Likewise, procedures should be concerned not so much with what the charity is legally obligated to do as with how it will go about doing it.

## Using PG Calc as a Sounding Board

For many years, PG Calc's consultants have worked with a wide range of charitable organizations to fine-tune [existing gift acceptance policies or develop new ones](#).

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