

## Issues Pertaining to Receipt of a Large Gift

When a nonprofit organization is about to receive a large gift, there are a number of issues it may wish to consider. The issues raised here are particularly significant in instances where the anticipated gift is one of the largest it has received.

### THINKING DIFFERENTLY ABOUT GIVING

Large gifts come from large donors. Large donors typically think differently about giving than do routine donors who typically support the bulk of an organization's work. This may be for many reasons, including some of the following:

- ✓ Frequently, major donors are highly successful persons who have achieved their success through exceptional skills, intellect, hard work, focus, energy, risk-taking, or other entrepreneurial characteristics. They are likely to bring to the act of giving the same attributes that made them successful
- ✓ For some large donors, their giving is now their “job.” They are no longer actively involved in their business or profession, and they thoroughly devote themselves to the work of giving. They view it like a job, a task that must be executed well.
- ✓ Many of the largest donors are foundations with specialized staff. Program officers at foundations are usually highly-seasoned professionals, experienced not just in grantmaking, but in the field in which they make grants. Over years of study, reviewing proposals, funding and observing outcomes achieved (or the lack thereof), and site visits to grantees, foundation staff have become very savvy in their field. They are likely to know more about an organization's arena of work than some of its senior management team. Thus, they think about their giving with great insight and perceptiveness.
- ✓ Major donors are frequently pursuing a well-thought out, very intentional strategy. They are not giving randomly or whimsically; they are executing a highly-planned course of action. This is likely based on the assessment of a problem they wish to tackle, a “theory of change” that describes the issues that require addressing, a “logic model” that outlines causes and effects in the intervention they are underwriting, a funding budget and schedule, and an evaluation methodology. Such a donor thinks about his gift in a manner that is dramatically more strategic than an “average” donor.

### WHAT DO MAJOR DONORS WANT?

Following are some expectations that major donors may have pertaining to their large gifts. Not all may apply in a given case, but it would be prudent to anticipate all of these as possible requirements around a major gift.

- ✓ **Program design**—Interaction with the grantee regarding the program supported to help shape it. This may involve program modification, expansion or relocation to reach a new area or demographic group, adding supplemental services, or many other initiatives.
- ✓ **Matrix of services**—Funding a battery of internal and external initiatives. Major donors are often thought of as favoring the funding of clearly defined projects or programs, possibly new ones. There are, however, many exceptions to this. Donors may fund a variety of services such as:
  - Capacity building, including expanding and enhancing infrastructure
  - General operations and overhead
  - Technical assistance and specialized consulting
  - Program services

The donor may directly provide or arrange for some of these services. In some instances, further funding may be dependent on successful execution of preliminary stages/projects.

- ✓ **Nonprofit collaboration**—Partnering with other nonprofits in a strategic manner to have a greater impact on a problem. For example, a microfinance entity might be asked to work with a community development agency or a relief and development organization.
- ✓ **Executive access**—Access to board members and executive management, and possibly a position on the board. To take on a board directorship is quite uncommon, but not unheard of. But commonly, a major donor would want to know, in detail, who the board members are, and have access to them. It is not likely that the donor would excise his right of access frequently; however, he may do so at times.

- ✓ **Recognition**—Formal acknowledgement for a sizable gift. Some donors may want a program or building or “institute” or “center” named in their honor. In other instances the grantee is the initiator of such a measure, in appreciation to the donor.
- ✓ **Milestones & regular reporting**—Clearly defined milestones with detailed reporting of project progress and grant funds utilization. At times the grantor will have a required form and schedule; at other times it is negotiable. While milestones may well be worked out together, semi-annual or annual reports that are both programmatic and financial in nature are common practice. Reports must be quantitative, precise, and current. Lazy reports—largely a copy of a prior report—will alienate a donor.
- ✓ **Evaluation program**—A third-party evaluation to assess the impact of the funded program. This assures the major donor of an independent, objective assessment of the programs effectiveness, helps to inform program modifications, and indicates whether additional funding is warranted. Ideally, the donor will pay for the cost of third-party evaluation; he may reduce a pledge by an equivalent amount, corresponding to the in-kind services provided.
- ✓ **Overhead rate**—The freedom to negotiate the overhead charge to a program grant. Funders' attitudes here vary broadly, from wanting to fund purely program services to an openness to share in general and administrative costs. Sometimes a donor will want a “discount” of regular charges for her large gift. At times she will require that her “tax” be spent in a particular way.
- ✓ **Detailed document review**—The right to review documents pertaining to how grant funds were spent. This will not normally be required in the regular course of making and managing a grant; but it will very likely be necessary if there are problems with the grant, doubts or suspicions regarding implementation, invisible results, or significant cost overruns. A professional, such as an auditor, may be used.
- ✓ **Personal risk mitigation**—An assurance of liability minimization. If a donor is the organization's largest grantor, is he personally insulated from any liability the organization might incur? This is a technical and legal question that may require a written opinion by a professional. In the United States, the Volunteer Protection Act of 1997 effectively protects non-employees (generally, board members and donors) from liability except in cases of egregious dereliction of duty.

#### WHAT SHOULD YOU DO FOR MAJOR DONORS?

Your major donor may demand more, but at a minimum, plan to do these for your major donors:

- ✓ Provide detailed reports as requested, in a timely manner; go “above and beyond” to please and anticipate issues
- ✓ Account for funds impeccably, to the penny
- ✓ Be brutally honest and forthcoming; don't bury problems or outright failures, to the contrary, report them early and allow for mid-course corrections
- ✓ Cooperate enthusiastically with a formal program evaluation process; ideally, this will not be conducted internally, but by a third-party evaluator such as Calvin Edwards & Company
- ✓ Provide access to the program, allow site visits, enable client interviews, encourage “hands on” experience with the grant in action
- ✓ Be promptly responsive to donor requests for information, provide comprehensive answers

#### WHAT SHOULD YOU NOT DO FOR MAJOR DONORS?

In the interest of implementing strategic philanthropy, a major donor may seek to exercise excessive control over a grantee. Her involvement may go from gifting and “partnering” to meddling and “controlling.” What this looks like will differ from case to case, but when it happens it is generally fairly evident to, and painful for, the grantee. Ideally, you will avoid this by early detection and candid conversation with the donor. You want their input; you also want to preserve your independence. You are not a donor's subcontractor.

Occasionally, a grant goes so well and everyone is so happy that a donor may want you to accept another gift and operate another program. At this point it is crucial to ensure that the program is within your mission and expertise. Don't lose focus while chasing down “easy” money.

CALVIN EDWARDS  
& COMPANY

*Maximizing the Good of Giving*

1125 Sanctuary Parkway, Suite 500 Alpharetta, GA 30009

E-MAIL [Info@CalvinEdwardsCompany.com](mailto:Info@CalvinEdwardsCompany.com)