



Questions to Ask Before Making a Gift

1. Does the organization have a 501(c)(3) IRS ruling and documentation?

It is amazing how many start-up nonprofit organizations do not have their 501(c)(3) designation and the number of well-established organizations that can't locate their tax exempt determination letter. For new applicants, the application process can take six months to complete; meanwhile, they are receiving contributions. Major problems can arise if you make a contribution during this application period to an organization which is eventually denied nonprofit status. If you never follow up to get the necessary documentation, imagine an audit under these circumstances!

2. What are the results I want my gift to make? Do I want to be recognized? If so, how?

What difference do you want to make in the lives of those served? Often a gift will have indirect intentions, for example, to signal others to give, or as quid pro quo for giving to a friend's favorite charity.

Recognition is important to discuss up front as the gift is being considered rather than counting on an unresearched hunch. A private giving advisor can easily discuss recognition for the donor on their behalf or in situations where the donor feels uncomfortable.

3. Like investing, every gift has risk. How much am I willing to take on?

Do I want to give to a start-up or to a well-established organization? Nonprofits go through life cycle stages: idea, start-up, growth, established, decline, turnaround, and terminal. In what stage of the organization do you want to contribute? Some are more risky than others.

Do you believe in this project enough to be the only donor?

4. How do I evaluate the staff and board leadership? Is it tenured? Does it have a good reputation? Do I know any board members personally?

This is so important. In the top ten reasons people give to organizations, the trust of the organization's leaders has moved from number eight to number two in the last twenty years according to Jerry Panas and Associates, a highly regarded author and fund raising consultant. (Aligning the organization's mission with the donor's personal values is number one.) A donor's faith in an organization wanes most often because its leadership missteps in some way. An assessment of the group's leadership is crucial before a gift is made.



5. In the long run, how important is it that the organization's values parallel my own?

Asking this question encourages you to look past the project and into the organization's crystal ball. As the donor, you need to have a sense for how the organization will behave after the project you funded is off the front burner.

6. Maybe giving money isn't the best way to help. Are there other options?

Volunteering is a way to obtain an insider's view of the organization before you ante up. This is especially valuable if the group is newly established and has not yet developed a reliable reputation.

7. If I make the gift, will the organization deliver the promised results?

Plans may look good on paper, but are the staff and volunteers in place to deliver the goods? Find out if the organization has previously accomplished anything of the same size, nature and scope. If not, be prepared for detours, delays, and bumps along the road to the final report.

8. Is there a situation under which I can see myself saying NO to this request? What is the likelihood of that situation happening?

This is the final gut check. It asks you to create the most unlikely scenario. For example, if you decide not to make a gift if the CEO would leave, then you or Legacy would want to have serious discussions with the CEO and board chair to discuss the CEO's future with the organization. You would need to ask yourself whether you are committed to the organization or to the leader.

9. Does the organization have other financial supporters? Who are they?

Flying solo is sometimes frightening. Organizations should be able to tell you who their other donors are. This will help you determine the breadth of the organization's support and eliminate the potential for reliance on you as a single donor.

10. How will I know if my gift has accomplished the desired result? What type of information will I receive and when?

Pre-arranged follow-up steps add an element of accountability to the relationship. Most quality organizations encourage this involvement and accountability. If they don't, it is a red flag.