

Selecting A Major Gift Recipient *A Guide for Donors*

Making a significant gift to charity can seem both exciting and daunting, particularly if you need some help in deciding what you want your gift to accomplish or who you want to benefit.

Perhaps your advisor has recommended that you do some significant charitable giving by the end of the year to reduce your tax liability. Maybe you are updating beneficiaries on your retirement account or insurance policy and want to include a charitable cause ó or perhaps you no longer have dependents who would need those resources. You might be updating a will or trust and want to leave a charitable legacy.

When you are faced with the question of how to direct a major gift, try following these four steps.

1. Identify Your Goals.

One of the best ways to narrow your choices is to start not from the solicitations you receive but from your own heartfelt priorities. There may be an organization with which you have been personally involved, whose mission you believe in. Or perhaps you are interested in investing to achieve a particular result ó meeting the basic needs of low-income persons, or developing children to their full potential, or preventing disease ó and have yet to identify organizations you feel good about that help produce that result. You can use the worksheet on the next page to stimulate your thinking about your goals.

2. Consider Your Options.

There may be several ways to further a cause that interests you. Not only are there likely to be multiple organizations operating within your community or country which advance that cause, but there are other considerations and entities which can play a role in meeting your goals most effectively. Consider:

- Do you want your gift to be spent right away? If so, a direct gift to a charity is the natural choice. If you want your gift to keep on giving, consider an endowment for perpetual support of your cause. You might work with your community foundation to support a range of local organizations, or talk to the development office at your alma mater, hospital, or national charity about the impact of endowed gifts. Gifts for capital projects such as buildings can also last a long time.
- If you want to stay involved in your gift on an ongoing basis ó or involve multiple generations of your family in shared philanthropy ó ask your professional advisor about private foundations, as well as donor advised funds within community foundations. Your community foundation office can also provide basic information comparing these arrangements.
- How do you feel about recognition? Ask prospective charities about their recognition programs. Most will be pleased to recognize you and encourage other donors to follow your example. What if you prefer anonymity? Any non-profit should honor your request not to publicly recognize your support ó ask them about their practices before you complete your gift. If you would prefer to remain unknown to the charity itself, consider using a donor advised fund in your community foundation, or a commercial gift fund, to assist with your giving. Grants made through such funds can be kept anonymous upon your request.

3. Evaluate Non-Profits.

When you are considering a major gift, there are lots of resources available to help you evaluate a non-profit organization. Be sure to talk to people, as well as reviewing data you find.

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Your Goals

Jotting some answers to the following questions may help you identify charitable causes you feel great about supporting.

What charitable gift has been most rewarding to you? Least rewarding? Why? _____

Do you want to perpetuate your support for a charity to which you have made annual gifts? _____

_____ Have you thought about what you would do if it ceased to operate?

What values do you want to share with your family? _____

What are you passionate about? _____

Who are your heroes and why? _____

What bothers you in our community or society? _____

What are you grateful for? _____

Do you want to be targeted or broad in your giving? _____

Do you prefer to address immediate needs or underlying causes? _____

Do you want to benefit your community, support a national or international cause, or both? _____

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Talking to People

If you have identified specific charities, one of the best ways to learn about them is to talk directly with their representatives about what they do. You might want to check out a charity's web site or annual report first to identify any questions you want to ask which are specific to that organization.

You can always call the executive director or development office of a charity. You may know someone who serves on a local non-profit's Board of Directors, and talk to that person. Volunteering with the organization can also be an excellent way of getting to know a charity. However you approach the organization, ask: How are they trying to make a difference? What evidence do they have that they are effectively fulfilling their mission?

If you are working with a community foundation, its staff can be a useful source of insight on local charities that might align with your goals and values. Grantmakers also perform routine due diligence on grantees, and often work together in community initiatives, so they may be able to let you know if a local agency is an unsung hero.

Reviewing the Numbers

Online services and watchdog organizations can be a source for financial information about charities. Be prepared to register and perhaps pay a modest fee to access this material, depending upon how deep you want to dig. Keep in mind that small charities may not have the staff to keep up with submitting annual information to nationally-based sites, especially if their donors tend to be from their own communities and to learn about them firsthand. But all charities are required to disclose their annual reports (IRS Form 990s) when asked.

One of the most popular donor resources online is GuideStar (www2.guidestar.org/). For virtually any public charity or foundation you are interested in, you can go to GuideStar to retrieve their Form 990 information disclosed to the IRS annually about its charitable operations. The 990 shows total gifts from donors, government grants, service fees, and other income sources, giving you a sense of how the organization's work is funded. Balance sheets, information about officers and directors, and other data can also be viewed. The information most often checked on the 990 comes from the lines showing how the non-profit's expenses break out across the three broad categories: program services, management and general expenses, and fundraising costs.

Much has been made of charities' efficiency as conveyed in such numbers as the percentage of revenues spent on expenses other than program services. This can have some utility. But the missions of non-profit agencies as changing lives as tend to be more challenging to measure and to achieve than those in the for-profit world, where there is always a common measure for comparison: profit. There is no single measure for comparing the success of non-profits, with their diverse missions and the complex social issues they address. The percentage of funds spent on programs may be the one common metric available for non-profits, and it can be useful when comparing organizations with similar missions. However, it doesn't tell you whether any of them have fulfilled their missions, or whether you care about those missions as the real reasons for supporting their work.

The prudent use of resources is important for any organization, and in this regard non-profits share much in common with businesses, striking a balance between investing in their capabilities and containing costs. What in the non-profit sector is sometimes called "overhead," and appears in the "management and general expenses" category of spending, includes things like bookkeeping, auditing services, facilities expenses, board retreats, accreditation costs, professional development and evaluation. It also includes the

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time that non-profit executives spend doing things like hiring competent staff to deliver services, developing partnerships with other agencies to avoid duplication of services, and coordinating strategic planning. Most donors want to see these expenses covered, because they understand that otherwise, the organization will be ineffective in defining its mission and delivering quality services. That's also why the trend has been growing among organizational donors, like foundations, to invest in capacity-building and basic operations for the non-profits whose missions they wish to advance.

Any charity you consider for a major gift should be forthcoming with information like that found on the Form 990. They should also be ready to provide you a copy of their most recently audited financials. Other quantitative data is needed to help you gauge impact. Look for information about how many young people enrolled in a youth-serving agency's programs, how many acres a land trust preserved, how many patients were treated by a clinic. Annual reports and web sites often contain such information.

Gauging Impact

Quantitative data can be helpful, but don't limit yourself to numbers. It's just as important to consider the depth of impact the non-profit had. Maybe only 15 clients were served by the agency that year, but they were homeless youth who developed job and financial skills, established social support networks, gained hope and became productive members of the community. Perhaps the health clinic performed fewer procedures than one in another community, but conducted preventive screenings and taught healthy lifestyle skills, so fewer people would end up needing help with chronic diseases. Ask yourself how you would define success in light of the organization's mission.

When talking to people about the charity, ask a couple of other things: What are the markers of quality service in that industry? It may be important, for example, to know if a social service agency's staff is trained in cultural competencies that prepare them to work effectively with diverse clients, or if a preschool hires teachers who are formally trained in child development.

Has the organization been certified as meeting any standards that have been established for its field? Whether you are interested in an educational organization, a community grantmaker, or an agency serving people with disabilities, many charitable fields have accreditation programs that can give you some assurances about the soundness of a non-profit's work.

4. Give With Confidence.

You've identified your goals. You've chosen your giving methods. You've talked to people, reviewed data, and come to some conclusions about the impact of one or more charities. Now you are ready to make your gift!

As you do so, you'll know that you are helping to advance the causes you care about, in a way that is meaningful to you and that uses your donation effectively. Let your professional advisor know if you need assistance to implement your plan. Once carried out, you should expect to hear from your chosen charity regarding the impact of your gift.

Philanthropy can be very satisfying, and we hope you find fulfillment through your giving. Congratulations on using your resources to make a difference!

This guide was developed by the Community Foundation of Bloomington and Monroe County and may be reprinted freely. You can find your local community foundation at www.incommunityfoundations.org/.