GREENWALT CPAs

Do You Have a Gift Acceptance Policy?

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Many organizations don't consider their fundraising programs large enough to need a gift acceptance policy. However, even if your charity has not received an unusual gift offer yet, it is probably just a matter of time. Rejecting gifts can be awkward, particularly when there is no structured policy to follow. Having a gift acceptance policy can help guide you in a meaningful donor discussion, one that results in a gift that is beneficial to both your organization and the donor.

Formal Policy

The acceptance of a charitable gift, in general, isn't something that should be decided on the spur of the moment. Instead, you need guidelines for how to handle such opportunities when they arise. A formal, written gift-acceptance policy should:

- Offer guidance for accepting gifts,
- Provide a roadmap for administering gifts, and
- Supply guidance to donors and their advisors on how to make the gift to the organization.

The purpose of a gift-acceptance policy is to make clear to board members, staff and donors what type of gifts are acceptable. Having a formal policy also will help create consistency from year to year as your board changes.

In addition, a formal policy can protect your organization's exempt status. Consider this: What would happen if a donor contributed an actual business to your organization? If you started managing the business and it became a significant part of your activity, your tax-exempt status could be lost.

Considerations for accepting gifts vary by gift type. Formulating a checklist by gift type can help you complete the necessary due diligence in the acceptance process. Here are some industry norms:

Cash gifts. Cash is always welcome unless certain restrictions are placed on the donation. For instance, the donor could restrict the use of the cash to an activity that's not in the nonprofit's best interest. Let's say an animal shelter receives a cash donation that comes with a restriction that the money be used only to build a second facility. It would not be in the shelter's best interest to accept the donation if it didn't have manpower or capital to support the additional space.

Securities. Nonprofits usually welcome publicly traded securities. What your organization should consider, though, is what types of stocks would not be welcome. Accepting donations of stock in a tobacco company, for example, may not be a good move by a cancer support organization.
Your acceptance policy also should address any restrictions on the sale of donated stock. Typically, you want to be able to convert the stock to cash soon after receiving it.

Closely Held Securities. These securities are another matter. Placing a value on stock and partnership interests is difficult in closely held companies because they're not traded on the open market. So you need to address how to value these gifts. And your organization must consider whether owning such securities aligns with its mission. If you can sell the security shortly after receiving it, this may not be an issue. But, in many cases, this may be impossible if the company whose stock you're receiving has sales restrictions — or it's difficult to find a buyer.

The tax impact of an investment also must be considered. Holding the investment may create unrelated business income tax (UBIT) — possibly leading to the loss of your nonprofit's exempt status. Also, keep in mind that the capital gain from the sale of S corporation stock is subject to UBIT, unlike the gain from the sale of most other assets.

Tangible Personal Property. This category includes such things as art, cars, boats and collections (such as coins and stamps). As with closely held securities, the value of the gift should be a significant consideration when accepting it. The method of valuation should be addressed in your gift-acceptance policy, especially if the gift is made in exchange for an annuity. This is because, when an annuity is made to the donor, the payment is based upon the gift's value. If the valuation is too high, the organization could be liable for a payout beyond the income from the gift. The property also needs to produce an income stream to pay the annuity.

Other issues that should be addressed are alignment with your mission, any restrictions on the item's use or sale, and its marketability.

Intangible Property. Gifts of intellectual property, royalties and life insurance policies are examples of intangible property. The same valuation, mission and annuity factors are considerations for these types of gifts as they are for tangible property.

Real Estate. This type of gift is one of the most difficult to deal with and one of the most important to address in your gift-acceptance policy because of the due diligence required. It's imperative for your organization to verify that: 1) the property has a clear title, 2) there are no environmental problems and 3) there are no undisclosed debts on the property.

Another important consideration is the cost of holding the property — will your organization be expected to maintain the property and pay utilities and taxes? If the real estate is debt-financed, it could be subject to UBIT. Restrictions, such as property use, also should be weighed when accepting the gift.

Ongoing Considerations

A number of examples of gift acceptance policies are available on the Internet. These may be used as guidelines in creating your own policy.

Once the acceptance policy is in place, you may want to have a development/fundraising committee review all gifts above a certain dollar value and recommend them to the board for approval.

And after it's implemented, be sure to review your policy periodically to update it with new developments.