



Making Strategic Gifts

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Effective and meaningful philanthropy takes many shapes and forms: one-time gifts, single year, multiyear. Gifts from foundations, donor advised funds, trusts, or personal checkbooks. Gifts with a narrow focus or those with broad intent. Don't underestimate, in any case, the amount of planning necessary to structure a gift that advances your goals as a donor and addresses a grantee's needs and capacity.

Making a strategic gift in any form can be both exciting and daunting. It can allow a grantee organization to successfully pursue a new initiative or enhance existing programs and services that add value for all stakeholders. It also is a business decision that requires careful thought and mutual understanding of objectives and timelines—all which should be documented and shared with those involved in your philanthropy.

Take, for example, one-time significant gifts. Whereas there is no hard and fast rule about what constitutes a significant gift—let's assume a gift over \$500,000 to an organization or institution, there are numerous stories of large gifts gone wrong resulting in years of legal action; institutions not following a donor's intentions, either because they weren't articulated or the grant's purpose was accomplished previously or no longer relevant; or heirs discovering that funds were misused.

Whether making gifts large or small, how can you assess organizations' needs to ensure you are providing the gifts that most meets those needs? How can you be sure to right-size your gifts? How can you ensure that your gifts stay aligned with your mission and goals, and how can you maximize their impact?

Here are some pitfalls to avoid and some prudent practices to follow when making strategic gifts of all sizes.

Starting out right. We work regularly with individuals and families to help them ensure that the gift they make is a win-win for both the donor and recipient organization. The starting point is always to help donors clearly articulate their intent, and to help them understand what the process should be to ensure a successful gift and partnership with the recipient organization or institution.

We prompt donors to consider whether they prefer to give during their lifetimes and/or as a part of their estate plan after death. We ask them where funds will come from (e.g., foundation or trust, donor advised fund, personal checkbook, or some combination thereof). We also ask how the gift fits into their overall philanthropic strategy.

Don't underestimate the planning necessary to structure a gift that advances your goals and addresses a grantee's needs and capacity.

Recently we worked with a client to facilitate a very significant (\$50 million) multiyear gift to his alma mater, with the goal of making the university's business school one of the best in the country. The terms and conditions of the gift had to be carefully considered and *discussed* with the institution to determine if the goal was even possible. Was it a realistic one? How might the university achieve the goal? How long would it take to accomplish?

This kind of dialogue between donor and recipient is important to the success of the gift—for all stakeholders and no matter the gift's size. It protects both parties and is often the most valuable aspect of expressing your charitable intent.

Assessing the organization's needs. Have you determined whether the gift is one that would add value to the institution or organization

you've selected? Having a conversation with the organization about what it would like to see funded and why—or sharing with them what you are considering investing in and finding out from them whether it is feasible or even needed—is an undeniably important step. Without this mutual understanding, the gift may not yield the results you are seeking.

When you are considering how to structure a gift, keep in mind that general operating support is the most flexible and desired support *all* nonprofits need.

Have you determined whether the gift would add value to the institution or organization?

Right-sizing the gift. Assessing whether an organization has the capacity to absorb a gift is critical. Giving a \$1 million grant to an organization with a \$250,000 budget could be disastrous. If you would like to provide significant funding, discuss with the organization whether it would be more useful for it to receive a one-time gift or instead a multiyear gift to allow for ramping up. Sometimes a large gift for a specific purpose is given to accelerate an organization's strategic goal or to replicate a successful program or approach. Being transparent about how you will structure the gift allows the organization to plan effectively.

We have a client who, every year, makes one significant gift to an organization that is furthering one of her interests. Each gift is a standalone, to a different organization, and structured as a finite amount over a period of years—and this is made clear to the organization from the onset.

Clarity around use of the funds. Be sure to articulate your expectations, and any conditions attached to the gift, in an award agreement or memorandum of understanding. It is important to clearly spell out the terms of the gift—one-time or multiyear—and any metrics that may affect funding decisions, whatever the use of funds (e.g., to seed a new initiative; serve as leverage to spur other donor engagement; name or endow a department, school, or senior staff role;

or contribute to an endowment or capital campaign).

It is also important that the organization or institution knows what you expect in terms of annual communications and reporting. Are there benchmarks you want them to meet? Is there a particular way you want to be provided information, and how frequently? Keep in mind that you never want to make any gift onerous in terms of what you ask of the organization or institution.

The more clarity you provide surrounding the gift, the greater the chance to avoid misunderstandings and strengthen your partnership with the grantee organization.

Collaborating with other donors. In some instances, you may not want to be the sole funder of a particular endeavor. For example, if an organization is embarking on the development of a strategic plan and requesting a capacity building grant, it is often useful to inquire about co-funding so there is buy-in from other funders to the organization—particularly those with longstanding relationships with the organization. Or you may want to catalyze other funders by providing an incentive—a matching grant, where you will match up to a certain amount, say \$30,000, in a given year. This is often useful if an organization is seeking a strategic way to bring on new donors.

Funders also collaborate with other donors to leverage their funding by joining funding collaboratives where funds are pooled for a specific purpose or goal. The Four Freedoms Fund, which “seeks to secure the full integration of immigrants as active participants in our democracy,” is one example of a funding collaborative. Elaine Gast Fawcett gives an inside look at The Ohio Transformation Fund, another funder collaborative, later in this issue.

You may also choose to support a grantmaking intermediary, particularly to reach smaller grassroots communities using the intermediary's expertise and vetted relationships on the ground. The Global Greengrants Fund is one example, providing “the opportunity to help local people protect, restore, and transform the environment” around the world.

There are as many questions as answers when seeking to give strategically. We encourage you to carefully consider your intentions, have in-depth conversations, and communicate your decisions with recipients as well as those involved in your philanthropy.

Betsy Brill, president and co-founder of Strategic Philanthropy, Ltd., is an internationally recognized expert in philanthropy.