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How to Give Big to a Small Charity

Large donors can make a real difference to a minor nonprofit, but also create real headaches

By ANNA PRIOR

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Making a large donation to a small charity can have a profound effect on the organization and the cause it supports.

But it also can give rise to several thorny etiquette issues, including how much say the gift giver gets over the charity's operations and how best to handle subsequent requests for more funding from the big donor.

For the donor, there is a fine line between making sure a large gift is used responsibly and attaching too many strings to it, which can heavily burden smaller organizations, experts say.

"People make the mistake that the bigger your gift, the bigger your influence, but it is really about a relationship," says Mae Hong, a Chicago-based vice president for Rockefeller Philanthropy Advisors, a consulting firm for charitable giving.

More of a burden

That relationship—and the open and honest dialogue that goes with it—is what allows large donors to ensure their gifts have the desired impact without overstepping boundaries that could alienate members of the organization.

For starters, experts say, large donors need to understand that certain requests could be difficult—and costly—for smaller nonprofits to meet. It isn't unusual, for instance, for an organization to spend thousands of dollars in staff time and logistics to secure a large donation, including on things like site visits, facilities tours and meetings with a charity's executive director, says Jacob Harold, chief executive of GuideStar, which publishes data on charitable institutions.

Where the Money Went

Individuals gave more than \$350 billion to various causes in 2014

	Amount donated (in billions)	Percentage of total
Religion	\$114.90	32%
Education	54.62	15
Human services	42.10	12
Gift to foundations	41.62	12
Health	30.37	8
Public-society benefit	26.29	7
Arts, culture, humanities	17.23	5
International affairs	15.10	4
Environment/animals	10.50	3
Gifts to individuals	6.42	2

Source: Giving USA Foundation's Giving USA 2015

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“In a big organization, they likely have an entire development team handling details, so it is an efficient use of an executive director’s time to meet with large donors,” says Mr. Harold. “But in a four-person nonprofit, the time it takes to arrange meetings and give tours and site visits is proportionately more of a burden.

That isn't to say donors shouldn't do their homework before making a big gift, says Mr. Harold, but if they are targeting smaller organizations they should try to do it as efficiently as possible.

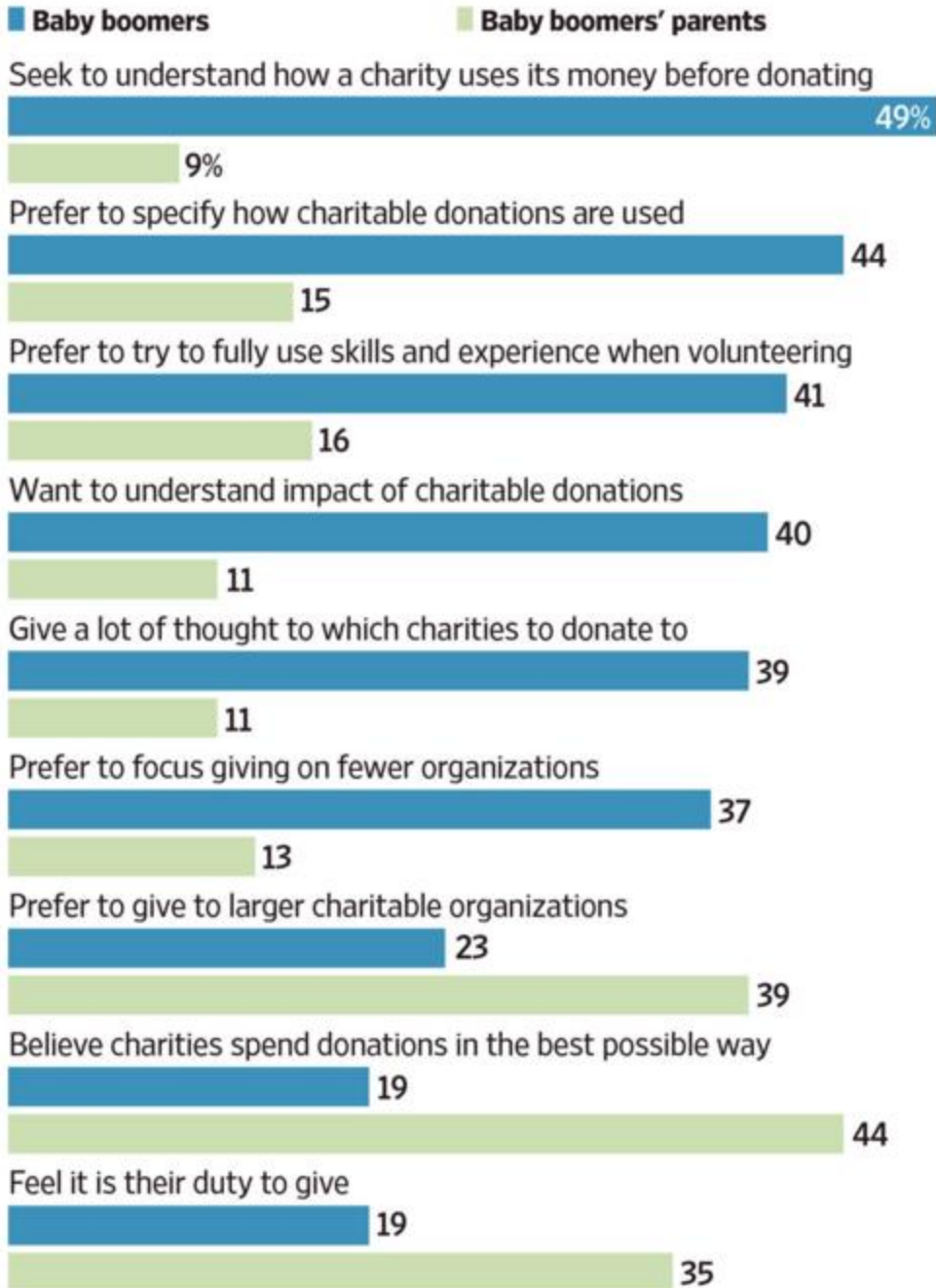
Donors also should give plenty of consideration to where a nonprofit organization is in its life-cycle. Big gifts are likely to give donors more of a voice in newer, smaller charities as opposed to more established nonprofits that already have workable systems and plans in place.

When an organization is in "startup mode," it requires all hands on deck and a level of engagement that involves pretty much everything, versus a more established organization that can use or leverage its board members or donors more tactically, says Andrew Hauptman, chairman of private investment firm Andell Inc. and co-founder and chair emeritus of the Los Angeles site of education nonprofit City Year.

Having a "clear and frank" discussion about both the donor's and nonprofit's goals helps set expectations and avoid misunderstandings, says Neil Kawashima, a Chicago-based partner at law firm McDermott Will & Emery LLP who focuses a significant part of his practice on philanthropic matters.

More of a Say

Baby boomers feel they are more strategic and hands-on about their giving compared with their parents



Source: Giving in Retirement: America's Longevity Bonus study, conducted by Merrill Lynch and Age Wave THE WALL STREET JOURNAL.

“A lot of times, there’s a disconnect between what a donor wants and expects, and what the charitable organization wants or expects,” he says.

Putting those goals in writing, in the form of a legal gift agreement, is one way that donors can make sure their expectations are in line with those of the charity. The agreement or discussions also could iron out how much more, if anything, a donor is willing to give the organization and under what circumstances. That makes it easier for the charity to plan and the donor to avoid the awkwardness of having to turn down future requests.

Exit plan

To be sure, some experts caution against focusing too much on the business arrangement, especially with smaller nonprofits. But “if you’re talking about an eight-figure grant, it’s understandable why there would need to be a legal contract,” says GuideStar’s Mr. Harold.

Another point for large donors to consider is whether to make their gift anonymous.

Miss Manners may say it isn’t polite to brag, but some philanthropic experts say putting a name to a large donation can help encourage more giving from a community.

“There are benefits in terms of creating awareness and perhaps inspiring others to give,” says Loren Brown, president and chief executive of the Catholic Foundation in Columbus, Ohio.

It can also get tricky when it’s time for a large donor to end a gift, whether because of changing financial circumstances, a shift in personal views or even something as simple as moving away from the community served by the charity.

As with outlining expectations, planning for an exit from the get-go can go a long way in avoiding future conflict, experts say.

“For more experienced nonprofits, a donor or foundation exit is an expected and normal part of philanthropy,” says Jill Rademacher, chief donor experience and engagement officer at Silicon Valley Community Foundation, a Mountain View, Calif.-based organization that manages charitable funds and provides guidance to philanthropists.

However, a multiyear grant can help smooth out the process, by setting expectations and informing the charity early on in the process that the donor won't be there forever. "That is the greatest respect you can show to an organization," she says.

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