

# Developing Fundraising Policies and Procedures

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BEST PRACTICES  
FOR  
ACCOUNTABILITY  
AND TRANSPARENCY



# THE ASSOCIATION OF FUNDRAISING PROFESSIONALS (AFP)

## **WHO WE ARE:**

AFP, an association of professionals throughout the world, advances philanthropy by enabling people and organizations to practice ethical and effective fundraising.

The core activities through which AFP fulfills this mission include education, training, mentoring, research, credentialing and advocacy.

AFP members abide by the highest ethical standards in the fundraising profession and are required to sign annually the *Code of Ethical Principles and Standards of Professional Practice*.

## **OUR VISION STATEMENT:**

AFP will be the recognized leader in the promotion of philanthropy by empowering fundraisers to serve humankind throughout the world.



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# **Developing Fundraising Policies and Procedures**

**Best Practices for  
Accountability  
and Transparency**

**By Barbara L. Cicone, CFRE**

*AFP's Ready Reference Series*  
**Association of Fundraising Professionals (AFP)**



**Disclaimer:** The information contained in this booklet is believed to be accurate as of the time of publication, but is subject to change and should not be construed as legal advice. *For questions regarding legal, regulatory, accounting and similar matters, a qualified professional advisor should be consulted.*

This booklet is part of *AFP's Ready Reference Series* for professional fundraisers. For more information about *AFP's Ready Reference Series*, please visit the publications section of [www.afpnet.org](http://www.afpnet.org).

Text by Barbara L. Ciconte, CFRE.

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# Table of Contents ---

Why Fundraising Policies and Procedures are Necessary .....	1
Gift Policies and Procedures .....	7
Donor Policies and Procedures .....	22
Complying with Governmental Regulations .....	31
How to Proceed .....	35

## ***Resources***

References and Resources .....	36
Appendix A: AFP <i>Code of Ethical Principles and Standards of Professional Practice</i> .....	37
Appendix B: Association of Professional Researchers for Advancement (APRA) <i>Statement of Ethics</i> .....	41
Appendix C: Sample Pledge Commitment Form .....	46
Appendix D: Sample Gifts of Personal Property Policy .....	47
<i>A Donor Bill of Rights</i> .....	inside back cover

## ***Sample Documents***

Fundraising Policies and Procedures Checklist .....	2
---	---

<b>Gift-Acknowledgement Policy and Procedure .....</b>	<b>9</b>
<b>Gift-Entry and Recording Policy and Procedure .....</b>	<b>10</b>
<b>Gift-Acceptance Policy and Procedure .....</b>	<b>11</b>
<b>Gifts-in-Kind Policy .....</b>	<b>15</b>
<b>Principles for Corporate Support or Donations .....</b>	<b>20</b>
<b>Donor-Recognition Policy, Brief Version .....</b>	<b>23</b>
<b>Donor Naming Opportunities .....</b>	<b>25</b>
<b>Donor-Privacy Policy, Brief Version.....</b>	<b>27</b>
<b>Donor-Privacy Policy .....</b>	<b>28</b>
<b>Confidentiality Policy .....</b>	<b>29</b>
<b>Solicitation Disclosure Statement .....</b>	<b>32</b>
<b>Direct-Mail Disclaimer .....</b>	<b>32</b>
<b>Language for Acknowledgement Letter and Receipt .....</b>	<b>33</b>
<b>Language for Special Event Contribution .....</b>	<b>33</b>

# Why Fundraising Policies and Procedures are Necessary

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In recent years, with the overwhelmingly generous response of the public to global and national tragedies and disasters, coupled with the ongoing needs of non-disaster relief organizations, fundraising challenges have multiplied. In addition, the nonprofit sector has faced increased, yet appropriate, scrutiny by government regulators and individual donors alike. In the United States, the passage in 2002 of the Sarbanes-Oxley Act created an environment of greater self-examination and accountability within nonprofits. This American law, while focusing on corporate governance and financial accounting practices, has led many nonprofits around the world to review, evaluate and change the ways they operate.

## **POLICY: DEFINED BY THE *AFP FUNDRAISING DICTIONARY***

*n. – as adopted by a governing board, broad and general statements that are guiding principles designed to influence and determine the decisions and actions of an organization*

Nonprofit leaders must understand that public trust is vital to the sector's mission, and their organizations must be transparent and accountable to donors, stakeholders, government agencies and future patrons to succeed. Research and media reports throughout the world suggest the importance of donor trust and indicate a direct correlation between public confidence in an organization and its level of support.

Key to gaining that donor trust is keeping to established guidelines for handling donations and other business practices. Written policies and

procedures for nonprofit organizations' development-related activities are critical not only for showing they adhere to ethical fundraising practices, but also for enhancing relations with donors and funders and improving development staff efficiency and effectiveness.

This booklet offers samples of key fundraising policies and procedures that nonprofit organizations should consider adapting and using for their fundraising programs. Organizations also should have other policies and procedures related to board governance, conflict of interest, staff and working with outside vendors and contractors, but these are beyond the scope of this publication.

## SAMPLE DOCUMENT

### FUNDRAISING POLICIES AND PROCEDURES CHECKLIST

Is your organization registered where it raises funds?\* Yes \_\_\_\_\_ No \_\_\_\_\_

Does your organization have the following:

1. A gift solicitation and acceptance policy? Yes \_\_\_\_\_ No \_\_\_\_\_
2. A procedure for processing gifts and maintaining database accuracy? Yes \_\_\_\_\_ No \_\_\_\_\_
3. A policy and/or procedure for:
  - gifts of securities? Yes \_\_\_\_\_ No \_\_\_\_\_
  - gifts of personal property? Yes \_\_\_\_\_ No \_\_\_\_\_
  - gifts of real estate? Yes \_\_\_\_\_ No \_\_\_\_\_
  - gifts of intellectual property? Yes \_\_\_\_\_ No \_\_\_\_\_
  - restricted gifts? Yes \_\_\_\_\_ No \_\_\_\_\_
  - establishing endowments? Yes \_\_\_\_\_ No \_\_\_\_\_
  - planned/deferred gifts? Yes \_\_\_\_\_ No \_\_\_\_\_
  - accepting gifts-in-kind? Yes \_\_\_\_\_ No \_\_\_\_\_
4. A donor-privacy policy? Yes \_\_\_\_\_ No \_\_\_\_\_
5. A donor-recognition policy? Yes \_\_\_\_\_ No \_\_\_\_\_

- |  |                  |
|--|------------------|
| 6. A written procedure for entering and recording gifts?   | Yes_____ No_____ |
| 7. A written procedure for acknowledging gifts?  | Yes_____ No_____ |
| 8. IRS/CRA language on receipts? IRS language also on thank-yous?  | Yes_____ No_____ |
| 9. A state disclosure statement on letters? (U.S. requirement for certain states)  | Yes_____ No_____ |
| 10. A charitable registration number (i.e., a business number [BN]) on all cultivation and solicitation materials? (Canadian requirement only) | Yes_____ No_____ |
| 11. A permission policy for sending email communications to members/donors?  | Yes_____ No_____ |
| 12. A policy for conducting new special events?  | Yes_____ No_____ |

*\* This is a complex area requiring an increasingly greater level of attention by nonprofits, paid fundraisers and fundraising consultants. In the United States, charitable organizations may be required to register in states where they raise funds, but requirements vary from state to state. In Canada, although charities can be incorporated provincially, all fundraising organizations must register a charitable registration number or business number (BN) with the federal Canada Revenue Agency. If you are uncertain about state/provincial and federal registration issues potentially affecting your organization, consult with a qualified professional advisor.*

In 1960, a group of development officers established what is now the Association of Fundraising Professionals (AFP) in response to the need for a codification of best practices in fundraising. Since adopting its first *Code of Ethical Principles and Standards of Professional Practice* in 1964, AFP has led the nonprofit sector in fostering the development and growth of fundraising professionals and promoting high ethical standards in the fundraising profession. All members of AFP agree to uphold and abide by the values articulated in the AFP *Code of Ethical Principles and Standards of Professional Practice*.

### **Promoting Ethical Fundraising**

An excellent resource for development professionals, the AFP *Code of Ethical Principles and Standards of Professional Practice* serves as a valuable teaching tool for educating an organization's staff and board leadership on ethical fundraising practices and how to incorporate them into development programs (see Appendix A).

In addition to the AFP *Code*, the Association of Professional Researchers in Advancement (APRA) *Statement of Ethics* also addresses issues of donor privacy and research (see Appendix B).

## **MAKING THE CODE OF ETHICS YOUR OWN**

*Divided into four sections, the AFP Code of Ethical Principles and Standards of Professional Practice addresses key nonprofit issues: professional obligations, solicitation and use of philanthropic funds, presentation of information and compensation. Reviewing the standards in the Code will help you determine whether your organization's policies and procedures already include these principles or if they need to be integrated into your business guidelines.*

*For example:*

*\* Standard No. 9 under Solicitation and Use of Philanthropic Funds says, "Members shall take care to ensure that contributions are used in accordance with donors' intentions." This standard should be incorporated into your gift acceptance and stewardship/management policies.*

*\* Standard No. 14 under Presentation of Information says, "Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to or exchanged with other organizations." This standard should be incorporated into your donor-privacy policy.*

## Protecting Donor Rights

In 1993, AFP, the American Association of Fundraising Counsel (now the Giving Institute: Leading Consultants to Non-Profits), the Association for Healthcare Philanthropy (AHP) and the Council for Advancement and Support of Education (CASE) developed *A Donor Bill of Rights* so that donors and prospective donors could have full confidence in the nonprofits they support. Since then, thousands of organizations have adopted *A Donor Bill of Rights*. The 10 rights listed also should be reflected in your policies and procedures (see inside back cover).

*A Donor Bill of Rights* is also a valuable teaching tool for staff and board leadership and, most importantly, donors. By promoting *A Donor Bill of Rights*, your organization can integrate its principles into its mission values and show donors it is committed to protecting their interests and gifts.

Advancing *A Donor Bill of Rights* can be accomplished easily by:

- **Incorporating it in board orientation and board training sessions**
- **Printing a copy on the back of your organization's letterhead**
- **Posting it in a prominent location on your website**
- **Including a copy in your media or public relations packet**
- **Featuring it in your newsletter or magazine**

By properly stewarding donors and charitable contributions, you will help ensure continued support for your organization. Policies and procedures for acknowledging gifts, thanking and recognizing donors and guarding privacy and confidentiality of donor information form the foundation of a successful stewardship program for your organization.

### **Improving Staff Efficiency and Effectiveness**

Policies and procedures also help your staff to work more efficiently. Being creative is important for thinking of new and better ways to raise increased funds for your organization. However, some development-related tasks, such as recording gifts and preparing receipts, are more effectively handled

## **WHEN TO SAY “NO” TO A GIFT**

*Having clear policies on how and what types of major gifts your organization will accept also is essential. Your nonprofit may be presented with a donation that does not fit the organization’s mission, whose maintenance costs outweigh its value or has too many strings attached. This can be true of gifts of real estate and tangible property, such as boats or stamp collections, and gifts of unusual or unpalatable restrictions. A board-approved policy regarding how such gifts will be handled is an effective way to maintain positive relationships with major donors and help them to understand that some restrictions on gifts may actually render them less useful to your organization and its stakeholders.*

when standardized because then anyone completing these tasks will know how to do them properly. In Canada, the standardization of gift receipts is not just recommended but required. Visit the CRA website [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) for information on the regulations governing the issuance of receipts.

Adhering to policies and procedures for administering the gift-entry and acknowledgment systems allow staff to be more efficient, giving them more time for relationship-building activities with donors. Written policies and procedures also preserve institutional knowledge and shorten the learning curve for new staff.

# Gift Policies and Procedures

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## *Database Management*

**N**o matter what type of software program you use to manage donor data, focusing on three key factors will help your organization use data most efficiently for its development program:

### ■ **Organization**

When using one of the various commercial fundraising database systems, be sure to work with your vendor to organize your data properly from the start. First, your organization must decide what donor information to record and track and what kinds of reports it will need. In the United States, the Health Insurance Portability and Accountability Act (HIPAA) prohibits organizations from recording information about a patient's illness, treatment or services provided without prior authorization from the patient. Also, your nonprofit should identify and train a few key employees who will have permission to enter and change data, limiting others to a read-only access. By taking the time to evaluate database needs and requirements at the outset, your organization can build a system that will be a valuable fundraising tool—not just the organization's mailing list.

### ■ **Consistency**

Develop consistent standards for entering data for your employees to follow. These guidelines should be clearly documented in the vendor's manual or an in-house manual. Include proper procedures for such items as:

- name capitalization and use of periods
- telephone numbers

- addresses, with abbreviations for street types
- gifts, pledges, in-kind gifts and planned gifts
- attendance at events and meetings
- board and volunteer services
- volunteering

■ **Accuracy**

Be sure you maintain the accuracy of the data through address-correction requests, website address-change submissions, Internet research and information provided by board members, employees and volunteers. Document the date and who makes any changes to a data record. Periodically review groups of records to ensure employees are following the data-management standards. Make corrections as necessary. If some records have bad data that require time-consuming changes, archive records for attention later.

When you write the procedures for data management, make sure you train all the users to follow these standards. The standards are only as effective as they are followed, so periodically review the guidelines, solicit comments from the users and revise the policies as needed.

Also remember to back up your data regularly to protect the database's integrity.

**Recording and Acknowledging Gifts**

One important key to an organization's success is how well it manages the backend of gift receipts. Are staff members recording gifts properly in the database? Are they entering donations into the accounting system quickly and accurately? Are they thanking donors appropriately and meaningfully? Who is responsible for these various tasks? Having clear guidelines for recording and acknowledging gifts will help staff in this essential administration.

Your development department should have pertinent policies and procedures in a notebook or manual that is easily accessible for staff. The

## SAMPLE DOCUMENT

### GIFT-ACKNOWLEDGMENT POLICY AND PROCEDURE

*(Note: Charities should determine gift levels and staff involvement that correspond to their organizational needs and culture.)*

1. Acknowledge all gifts within three business days using appropriate thank-you letters based on the gift level. If receipts are included, they must feature the wording required by the IRS or CRA.

2. Gifts of \$249 or less will be acknowledged with the appropriate thank-you letter or preprinted card signed by the executive director.

3. Gifts of more than \$250 will be acknowledged with the appropriate thank-you letter signed by the executive director and including the required IRS language (Canada only regulates the language used on gift receipts, not thank-you notes). If no goods or services were received in exchange for the gift, insert “No goods or services were received in exchange for your gift. Therefore, the full amount of your contribution is tax-deductible as allowed by law.” If a good or service was received, the organization must inform the donor of its fair market value in order for the donor to know the tax-deductible portion of the contribution. “In exchange for your contribution of \$500, you received a book with an estimated fair market value of \$75, so \$425 may be treated as a charitable donation.”

4. The board chair will send an additional thank-you letter to donors of gifts of \$500 or more.

5. The director of development will call donors of \$500-\$999 to thank them personally.

6. The executive director will call donors of \$1,000 or more to thank them personally.

manual, which should outline how gifts are to be recorded and acknowledged, also can be used to train new employees. Be sure to include in this manual sample copies of the various types of thank-you letters that should be sent to donors in acknowledgement of their contributions.

When developing gift-acceptance policies for your organization, it is important to anticipate what kinds of gifts your charity’s mission or program

***Soliciting and  
Accepting Gifts***

## SAMPLE DOCUMENT

### GIFT-ENTRY AND RECORDING POLICY AND PROCEDURE

- 1. Send all checks to the development department for recording, then forward them to the finance department for accounting and depositing.*
- 2. Update donor information in the database if the information on the check and/or response form is different. Note the date of change in the record.*
- 3. Record gifts according to the donor's intended use, i.e. unrestricted, restricted (specific program or project), endowment, etc.*
- 4. Record in the system the source of the gift, i.e. direct-mail appeal, special event, personal solicitation, etc.*
- 5. Prepare a daily report of gifts to be circulated to appropriate staff for information and special acknowledgement attention.*
- 6. Acknowledge all gifts within three business days using appropriate thank-you letters based on the gift level.*

might attract. Having a procedure for reviewing major gifts by the executive director/president, development committee and board of directors will help your organization not only get the most out of its current and planned donations, but also decline gifts that would not be a good fit with your organization's mission and work. Many organizational boards establish a gift acceptance committee to review such gifts and contributions.

#### **NonCash Gift Policies and Procedures**

Additionally, it is recommended that noncash gifts be reviewed prior to acceptance because of challenges they create. Some gifts, such as stock, real estate, life insurance or personal property, impose special obligations on an organization. For noncash donations, the charity and the donor must complete Form 8283. The charity does not appraise the value of the property, but, as set forth in the form and its instructions, who does the appraisal and how it is done varies with the type and value of the donated property.

In addition, if an organization receives property that was subject to a charitable deduction and within two years sells, exchanges, or disposes of the property, the organization has to file Form 8282, Donee Information Return, unless: (a) the property is valued at \$500 or less or, (b) the property is distributed for charitable purposes.

## SAMPLE DOCUMENT

### GIFT-ACCEPTANCE POLICY AND PROCEDURE

*The XYZ Organization seeks outright gifts and future gift commitments that are consistent with its mission. Donations generally will be accepted from individuals, partnerships, corporations, organizations, government agencies or other entities without limitations—unless acceptance of gifts from a specific source is inconsistent with the organization’s beliefs, values and mission. The XYZ Organization will not accept gifts from companies whose products may be harmful to our clients or from donors whose requests for public recognition are incompatible with our philosophy of appreciation.*

*In processing, all gifts will be coded in the donor database for the constituency source from which the gifts were given (e.g., individual, corporation, foundation, organization, etc.).*

*Multiyear pledges for major gifts are encouraged, but for no more than three to five years. Donors should complete and sign a gift or pledge agreement form detailing the purpose of the gift, payment schedule and how they wish their names to appear in donor-recognition materials. (See Appendix D for a sample pledge commitment form.)*

*Donors are encouraged to support areas reflecting their interests. The XYZ Organization’s priorities include gifts for unrestricted, restricted and endowment purposes.*

*A selection of named or commemorative gift opportunities may be made available to each donor. Such opportunities represent a tangible means of demonstrating an individual donor’s investment in the XYZ Organization.*

*When gifts with restrictions are accepted, restrictions will be honored. These restrictions will be detailed in the donor’s gift or pledge commitment letter.*

*Donor information that should be private and confidential will not be made public.*

Nonprofits also should develop policies regarding how the following gifts are to be handled:

### ■ Publicly Traded Securities

Stocks, bonds and other securities should be accepted only upon approval of the executive director. Many organizations make it their policy to sell all publicly traded securities within a specified timeframe. In the United States, a gift of stocks or bonds held more than six months, which has grown in value, not only qualifies for a charitable-contribution deduction (based on the fair market value), but also avoids tax on the appreciated portion of the gift. A broker must determine the value of stocks and bonds, which is assessed as the mean between the high and the low price on the date of the gift. The date of the gift will be calculated as: 1) the date the certificate is personally handed to a representative of the charity, 2) the date on the certificate if changed to the name of the charity or its designated fiscal agent or 3) the postmark date if mailed or the date and time of transfer if electronically transferred to an account at the charity's broker's office.

## CANADA REVENUE AGENCY (CRA) REGULATIONS

*The tax status of noncash gifts is different in Canada than in the United States in many respects, so a professional advisor must be consulted. For example, the tax receipt for a gift of securities in Canada is the stock market value of the shares at the close of business the day the securities were transferred to the charity, regardless of whether or not the stock is sold. Charities are strongly discouraged from receiving nonpublicly traded securities. There is no capital gains exemption for nonpublicly traded securities in Canada.*

*The CRA has recently updated many of its regulations, which can be found on the agency's website, [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). Form T1170 (05) on the CRA website lists the types of gifts that are eligible for capital gains exemptions. An electronic newsletter is also available.*

### ■ **Closely Held Securities**

Nonpublicly traded securities may be accepted in the United States, but nonprofits are advised to first consult with the organization's treasurer and/or legal counsel. A qualified appraiser must determine the fair market value of the securities. Organizations should explore methods of immediate liquidation of the securities through redemption or sale before accepting the gift. Nonprofits also should not commit to repurchase or sell closely held securities until the gift of the securities is complete, as the transaction might be viewed by the IRS/CRA as a sale rather than a gift, with adverse tax consequences for the donor. In Canada, the government discourages the gifting and receipt of nonpublicly traded securities. Additionally, Canadian charities are well advised to sell gifts of publicly traded securities immediately, although not bound by law to do so.

### ■ **Real Estate**

Gifts of real estate should be reviewed by an organization's board of directors or gift acceptance committee before acceptance. The donor should be responsible for obtaining and paying for an appraisal of the fair market value and an environmental audit of the property. Before making a presentation to the board or gift acceptance committee, a staff member needs to inspect the property or if the property is geographically isolated, a local real estate broker can do the inspection. Property that carries a mortgage should not be accepted. Should there be any continuing concerns about the status and ownership of real estate being offered as a donation, the organization can arrange for a quick and fairly inexpensive title search. That will reveal any mortgages, court judgments or other liens that may be on the property.

### ■ Life Insurance

Many charities allow the executive director to accept a life insurance policy as a gift when the organization is named as the owner and beneficiary of the policy.

In Canada, charitable receipts for income tax purposes can only be issued for life insurance policies when the charity is named as the owner and beneficiary. If the charity is named as the owner and beneficiary, official receipts also can be issued for premiums paid to fund the policy.

### ■ Tangible Personal Property

Gifts of tangible property should have a use related to the organization's tax-exempt purposes. Gifts of jewelry, artwork, collections, equipment and software should be approved by designated senior staff and board members or by the gift acceptance committee and presented to the board for final approval. These gifts must be used by or sold for the benefit of the organization. If gift items are sold, the organization must follow all IRS/CRA requirements for disposing of gifts of tangible personal property and filing the appropriate tax reporting forms. Any gift of property worth more than \$5,000 in the United States requires an authorized appraisal, which should be paid for by the donor. In Canada, gifts of art or cultural property worth more than \$1,000 must be appraised by a registered appraiser. (For a sample gifts of personal property policy, see Appendix D.)

As part of the gift acceptance policy, a charity may elect to refuse gifts of cash, securities, real estate or other items of value if it believes that such gifts are incompatible with the mission of the organization, conflict with its core values or would create a financial, administrative or programmatic burden. The executive director should refer questionable gifts to the executive

## SAMPLE DOCUMENT

### GIFTS-IN-KIND POLICY

*The purpose of this policy is to ensure that the XYZ Organization accepts gifts-in-kind that support its mission, are consistent with its policies and are properly accounted for and acknowledged.*

*A gift-in-kind is an item such as equipment, software or a product that a donor voluntarily transfers to the XYZ Organization without charge or consideration.*

*Only the XYZ Organization's executive director and board of directors have the authority to accept gifts-in-kind.*

*Donors must complete a gift-in-kind form that includes the name of the donor, a description of the item(s), the retail value of the item(s) and permission to publicly recognize the donation.*

*Once accepted, the donated item(s) become the property of the XYZ Organization, which retains the right to dispose of a gift-in-kind as it sees fit, unless another arrangement has been made with the donor.*

committee or the board of directors for guidance on a case-by-case basis.

#### ■ Car Donation Programs

The IRS has issued specific guidance that restricts how a charity can accept and value the donation of motor vehicles, boats and airplanes (see IRS Publication 4302) and imposes an obligation on the charity to use Form 1098-C.

While an outright gift is always best, some donors may find that they can support the organization at a more substantial level with a planned gift. In the United States, mechanisms such as charitable remainder trusts, unitrusts, charitable gift annuities, bequests and gifts of life insurance policies often provide the donor with significant tax relief, while at the same time providing for the future of charities.

#### *Planned Giving*

## GIFTS-IN-KIND IN CANADA

*In Canada, the CRA has defined two types of gifts-in-kind. A pamphlet titled “Gifts in Kind,” available at any District Taxation Office, provides a general discussion of this topic. One type is a designated gift to meet a defined need, possibly itemized in a charity’s budget, such as MRI equipment in a hospital. If a donor were to fully fund the MRI equipment, the receipt would be for the full amount shown on the hospital’s invoice.*

*The second type of gift-in-kind, which is not preferred by the CRA, is for items typically not in a nonprofit’s budget, such as a car or television. In this case, the charity can issue an official receipt to the donor for the verified retail or appraised value. If the transaction results in a material benefit to the business, such as promotion or advertising, there has been no gift at law, and the charity should not issue an official donation receipt.*

*If the charity were to sell or auction off the item to turn the gift into cash, an official receipt can be issued to the buyer but only for the amount above the verified retail or appraised value. For example, a piece of art is donated and has been appraised by two appraisers for more than \$1,500 (gifts less than \$1,000 do not need to be appraised). At an auction a buyer wins the bid and pays \$2,000. A receipt can be issued for \$500 ( $\$1,500 - \$2,000 = \$500$ ). If the bid is \$1,500 or less, no receipt can be issued. (NOTE: This is a simple illustration and calculation. CRA has formulas that more accurately determine what amounts are eligible for tax receiving purposes.)*

In Canada, the categories and terminology for planned giving are different than in the United States, as are many of the laws of what is acceptable. A good reference book for this kind of donations is *Planned Giving for Canadians* by Frank Minton and Lorna Somers.

The following planned gifts are means of funding charities in the United States while offering benefits to the donors. Some of these include receiving an income or passing assets on to heirs. Minimum gifts mentioned are according to charity best practices.

■ **Charitable Gift Annuity**—a contract between the organization and the donor paying a guaranteed lifetime income to one or two beneficiaries in return for a gift of cash, securities or real estate. The rate of payout on gift annuities should follow the rates established by the American Council on Gift Annuities. There shall be no more than two beneficiaries. The minimum gift accepted to establish a charitable gift annuity is \$10,000. No income beneficiary for a charitable gift annuity shall be younger than 50 years of age.

■ **Deferred Gift Annuity**—an annuity tailored to meet the needs of the donor who prefers to receive income at a future date (at least one year after the date of the gift), but who claims a substantial charitable contribution in the year of the gift. The principal value of a charitable deferred gift annuity can be pledged over a period of years prior to when payments are scheduled to begin. The donor will not receive income until the entire pledge is fulfilled. There will be no more than two beneficiaries. The minimum gift accepted to establish a deferred gift annuity is \$10,000. No income beneficiary for a deferred gift annuity shall be younger than 40 years of age.

■ **Pooled Income Fund**—a fund that operates similarly to a mutual fund. Administrative fees shall be paid from the income earned on the pooled income fund. No income beneficiary in the fund shall be younger than 55 years of age. No more than two income beneficiaries may be named. The minimum initial contribution to the fund shall be \$10,000. Additional gifts may be added for amounts beginning at \$1,000. This kind of fund is not applicable in Canada.

■ **Charitable Trust**—a trust of which the nonprofit organization does not act as trustee. The administration of these trusts should be performed by a bank trust department or other trustee selected by the donor.

■ **Charitable Remainder Unitrust**—an individual trust providing for annual income to a donor and/or named beneficiaries that can increase or decrease year to year, depending on annual valuation of the trust’s assets. A unitrust is well suited to a donor seeking income growth, though with some downside risk. A net-income-only unitrust is well suited to donors of real estate. Unitrusts are not used in Canada.

■ **Charitable Remainder Annuity Trust**—a trust offering the assurance of a fixed-dollar income. The donor and/or beneficiary receive annually an amount of dollars fixed irrevocably at the time the gift is established and stated in the trust agreement. The minimum gift is \$100,000.

■ **Lead Trust (Income to Charity for a Term Certain)**—a trust whose income or “lead” interest is given to the nonprofit recipient and the remainder interest is given to one or more non-charitable beneficiaries, which can be the donor or his or her family. This gift option offers current income to the organization, but the assets can be retained by the donor or passed to heirs at a later time, often at considerable tax savings. This kind of trust is not available in Canada.

■ **Bequest**—a gift bequeathed to an organization in a donor’s will. Unless the donor specifies its use, the organization may direct this gift to an endowment fund or to the general fund to be used for current purposes.

### **Developing an Endowment Policy Manual**

Endowment donors are deeply committed to your organization’s mission and want to help guarantee its financial future. To gain their confidence and trust in making gifts to an endowment, your organization must develop an endowment policy manual. A guide for internal policies and procedures, this manual also is an effective donor-relations tool and can be shared with current and potential donors.

Your endowment policy manual should include guidelines for the following issues:

- **Investment and spending policy**
- **Types of gifts accepted**
- **Purposes for which endowment gifts are accepted**
- **Minimums for naming funds**
- **Process for accepting and administering gifts**
- **Who has the authority to accept gifts**
- **Donor recognition**
- **Board policy to place unrestricted gifts in endowment**
- **How and when endowment policies are reviewed**

As with any major gift, it is important that the donor completes a formal gift agreement defining the type and terms of the gift to the endowment.

Frequently educational, children and youth and health-related organizations have policies not to accept donations and support from certain types of corporations, such as those that manufacture, promote or sell tobacco, alcohol and other potentially harmful products. When developing your principles for corporate support, you should determine if there are companies whose contributions would not be acceptable.

### ***Special Policy for Corporate Support***

Having such a policy also can be useful to nonprofits that wish to enter into cause-marketing agreements with corporations. Keep in mind that your organization's name and reputation are its greatest assets when negotiating potential partnerships.

## SAMPLE DOCUMENT

### **XYZ ORGANIZATION PRINCIPLES FOR CORPORATE SUPPORT OR DONATIONS**

#### **Introduction**

*The XYZ Organization believes that it can best fulfill its mission through a broad base of support from various sources. However, to maintain its independence and objectivity, it seeks to identify any areas where there may be real or apparent conflicts of interest or where the mission, programs, projects and independence of the XYZ Organization could be compromised.*

*As part of expanding its base of support, the XYZ Organization is willing to consider partnerships with and gifts from the corporate sector. The XYZ Organization recognizes that corporations, as profit-centered organizations, have obligations to their shareholders, boards and employees to be successful. The XYZ Organization also recognizes that companies support the nonprofit sector not only out of a desire to be helpful, but also with a hope of a return or benefit to the companies.*

*Given these realities and both legal and ethical considerations, the XYZ Organization is willing to negotiate partnerships and accept support from the corporate sector in ways that will benefit and recognize the supporting companies while enabling the XYZ Organization to better achieve its mission without compromising its principles.*

#### **General Guidelines**

*The XYZ Organization, as an independent nonprofit organization, will accept no cash or real property gift, pledge of support or noncash gift or services or enter into any partnership with any company or other organization that produces products that are or may be harmful to the XYZ community. Nor will the XYZ Organization accept any of the above or support from any company or organization that, in the judgment of the XYZ Organization, exploits students or teachers in its product lines, advertising, marketing, workforce or in any other way.*

#### **Principles**

*The XYZ Organization will at all times maintain an independent position on educational issues and concerns.*

*The XYZ Organization will solicit and accept support only for activities that are consistent with its mission.*

## PRINCIPLES FOR CORPORATE SUPPORT CONTINUED

*The XYZ Organization will accept funds for research, informational and educational activities only when the content is to be determined by XYZ Organization or an independent group designated by XYZ Organization.*

*The XYZ Organization will maintain complete control, consistent with any donor restrictions acceptable to the XYZ Organization, of all funds provided by corporations, organizations and individuals.*

*The XYZ Organization will not accept any support that implies or requires endorsements of products.*

*Acknowledgements for corporate support will be limited to the companies' names, logos or slogans that are an established part of the supporters' identities, trade names, addresses and telephone numbers.*

*Recognition of major corporate support will be developed in cooperation with the corporate donors and will be consistent with the level of support and the XYZ Organization's mission and purposes. The XYZ Organization will seek to develop recognition opportunities that are appropriate and meaningful for both the supporting companies and the XYZ Organization.*

*The XYZ Organization's intangible intellectual assets, including its name, research and other work, will be protected at all times. Donors will not be permitted to use the XYZ Organization's name or other items for commercial purposes or in connection with the promotion of any product.*

*The XYZ Organization board and staff reserve the right to refuse any donation of cash or other real property, services, noncash gifts or any other forms of support if such support is not in keeping with the above principles or for other reasons that the XYZ Organization deems appropriate.*

# Donor Policies and Procedures

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## *A Donor-Recognition Program*

One of the best ways to encourage continued support from your donors is to recognize and thank them for their generosity. You should take advantage of the many opportunities for thanking your supporters throughout the year, such as recognizing donors at special events, in public settings, in print materials, in an annual honor roll of donors, on a prominent display in your office and on your website.

When establishing your donor-recognition program, first take an inventory of your organization's annual events and printed materials to see which can be incorporated into this special program. Keep in mind that recognizing donors not only builds good relationships with current donors, but it also motivates other donors to give and increase their giving.

Developing a comprehensive recognition program for your donors will ensure your non-profit does not miss a chance to honor these important supporters. As with other important organizational programs, you should have clear policies and procedures on how to recognize donors at various gift levels.

## **RECOGNIZING CORPORATIONS IN CANADA**

*In Canada, corporate donors are handled differently. If a corporation is given a tax receipt for a charitable gift, it cannot be promotionally recognized. Any recognition beyond being listed alphabetically with other donors is considered by the CRA to be a marketing benefit to the corporation. Therefore, if a company chooses a noncharitable or business receipt, there are no legal restrictions related to recognition.*

Before publicly recognizing your donors, be certain you have their permission. You also should know the exact way they wish to be listed—individually, with professional credentials, as a couple or anonymously. To find out, include a request for this information on the various response devices your organization uses. (See Appendix D for a sample pledge commitment form.)

For those donors who wish to remain anonymous, you must have procedures in place that address how anonymous donors will be coded in your database, how they will continue to receive mailings and how their gifts will be included in fundraising reports.

While more commonly used for capital campaigns, the sample policy below can easily be adapted for annual donors to your organization.

## WHAT'S IN A NAME?

*Sample Text:*

*So we may recognize you properly, please write in the space above how you would like to be listed.*

## SAMPLE DOCUMENT

### DONOR-RECOGNITION POLICY, BRIEF VERSION

#### Category and Ways to Recognize

##### **Platinum (\$1 million plus)**

*Recognition at campaign gala, profile in annual report and campaign publications, prominent display at top level on donor recognition wall, naming opportunity to be selected and website recognition*

##### **Diamond (\$500,000 – \$999,999)**

*Recognition at campaign gala, profile in annual report and campaign publications, prominent display at second level on donor-recognition wall, naming opportunity to be selected and website recognition*

##### **Gold (\$250,000 – \$499,999)**

*Recognition at campaign gala, profile in annual report and campaign publications, prominent display at third level on donor-recognition wall, naming opportunity to be selected and website recognition*

## **DONOR-RECOGNITION POLICY, BRIEF VERSION CONT.**

### **Silver (\$100,000 – \$249,999)**

*Recognition at campaign gala, profile in annual report and campaign publications, prominent display at fourth level on donor-recognition wall, naming opportunity to be selected and website recognition*

### **Bronze (\$50,000 – \$99,999)**

*Recognition at campaign gala, listing in annual report and campaign publications, prominent display at fifth level on donor-recognition wall, naming opportunity to be selected and website recognition*

### **Patron (\$25,000 – \$49,999)**

*Recognition at campaign gala, listing in annual report and campaign publications, prominent display at sixth level on donor-recognition wall and website recognition*

### **Partner (\$10,000 – \$24,999)**

*Recognition at campaign gala, listing in annual report and campaign publications and recognition on donor wall and on website*

### **Supporter (\$5,000 – \$9,999)**

*Recognition at campaign gala, listing in annual report and campaign publications and recognition on donor wall and on website*

### **Friend (\$1,000 – \$4,999)**

*Listing in annual report and campaign publications and recognition on donor wall*

### ***Naming Opportunities and Policies***

As a part of your donor-recognition program, be sure to offer major donors special opportunities to have their names, or the name of a loved one, associated with a specific facility space or program. In a capital campaign that involves raising funds to build a new facility or renovate an existing one, the building itself offers many opportunities for recognizing donors for their generosity. Other opportunities include naming scholarships, research funds, publications, conferences, seminars, programs and new initiatives.

In developing naming opportunities and related policies, include the following:

- **Process for formalizing commitment agreements**
- **Morals clause and procedure for removing name in certain situations**
- **Naming opportunities available with minimum of gift required**
- **How and when gifts will be recognized**
- **Sample language for naming and plaques**
- **Payment schedule**
- **Process for handling a merger**
- **Process for replacement of property**

## SAMPLE DOCUMENT

### DONOR NAMING OPPORTUNITIES

#### Overview

*For all gift levels of \$5,000 and above, a signed letter of intent and payment schedule must be received before the gift will be included in any recognition materials or any campaign publications.*

*Gifts less than \$5,000 will be mentioned in the first update to be published after the gift or pledge is received and then in the final donor honor-roll listing.*

*All plaque language must be approved by the donor before ordering, but it should conform to basic standards adopted by the organization.*

#### **Building Campaign**

##### **\$1,000,000 Gift Level**

##### **Renovated Wing of Building**

*The gift can be made as a multiple-year pledge, but must be at least two-thirds completed before any signage will be installed. The donor will be recognized with signage in the renovated wing of the building. Language for the plaque must be approved by the donor, but should be along the lines of:*

*“The renovation of this space was made possible by the generosity of Mr. and Mrs. John T. Smith.”*

## DONOR NAMING OPPORTUNITIES, CONITNUED

*Additionally, the gift will be listed on all other campaign-recognition materials, such as campaign reports and updates and in any cumulative campaign-recognition efforts, including the full campaign-recognition wall. Such recognition will begin as soon as a signed letter of intent for the pledge is received.*

### **Program Development**

**\$500,000**                      **Child Development Center**

*The gift can be made as a multiple-year pledge, but must be at least two-thirds completed before any signage will be installed. The donor will be recognized with signage on the property, such as “ABC Corporation Child Development Center.” Naming rights would be secured in perpetuity.*

*Recognition would include signage on the property and prominent mention in the annual report and on the website. Once the signage is in place, the building will then be referred to in all organization publications by the appropriate name, for example, the “ABC Corporation Child Development Center.”*

### **Fellowship Program**

**\$250,000**                      **Endowed Fellows Program**

*A one-time gift to establish a named endowed fund to support an international journalism fellowship program. Recognition would include prominent mention in all materials related to the fellowship program, the annual report and on the website. Once the fund is established, participants in the program would be referred to as the “(Donor name) Fellows.”*

### **Research**

**\$100,000**                      **Named Research Fund**

*A one-time gift to establish a named research fund to focus on a specific area of greatest need identified by the XYZ Organization. Recognition would include prominent mention in all print materials related to the research, the annual report and on the website.*

### **Scholarships**

**\$25,000 (minimum)**                      **Named Endowment Scholarship**

*A one-time gift to establish a named scholarship fund. Recognition would include prominent mention in the annual report, in scholarship program materials and participation in the annual scholarship ceremony and reception.*

Most nonprofits treat donor information with the utmost confidentiality. However, it is still necessary to establish a donor-privacy policy to assure donors of their privacy in contributing to your organization. Your donor-privacy policy should explain how donor information will be used, if donor information is ever shared and how a donor's name can be removed from your mailing list. Publicize your organization's full policy or a brief donor-privacy statement on your website, in your annual report and in fundraising appeal packages on the response device.

## **Donor-Privacy Policy**

In developing the policy for protecting donor privacy, keep in mind that the information that your nonprofit keeps on donors should only be:

- **What is required for fundraising purposes**
- **What is appropriate for the donor or prospect to see, if he or she requests to see the donor record**
- **Made available to the staff, board members and volunteers on a “need-to-know” basis**

Again, in the United States, healthcare organizations must be certain they are not in violation of HIPPA. In Canada, organizations must adhere to several regulated privacy policies. All provinces have Freedom of Information Protection and Privacy (FOIP) legislation that governs privacy of information for public organizations, and the federal policy Personal Information Protection and

## **SAMPLE DOCUMENT**

### **DONOR-PRIVACY POLICY, BRIEF VERSION**

*All information concerning donors or prospective donors, including their names, addresses and telephone numbers, the names of their beneficiaries, the amount of their gift, etc., shall be kept strictly confidential by the XYZ Organization, its staff and volunteers, unless permission is obtained from donors to release such information.*

## SAMPLE DOCUMENT

### DONOR-PRIVACY POLICY

*The XYZ Organization is committed to respecting the privacy of donors. The types of donor information that it collects and maintains are as follows:*

*Contact information: name, address, telephone number and email address*

*Giving information*

*Information on events attended, publications received and special requests for program information*

*Information provided by the donor in the form of comments and suggestions*

*The XYZ Organization uses donors' information to understand their interests in its mission and to update them on the organization's plans and activities. It is shared with staff, board members, volunteers and consultants only on a "need-to-know" basis.*

*The organization also assures donors that their names and addresses will not be shared with any third party unless permission has been granted. For those who do not wish to be included on a mailing list that might be sold, rented or leased to other organizations, donors should contact the organization to have their names removed.*

*If you have comments or questions about the XYZ Organization's donor-privacy policy, please email [info@XYZ.org](mailto:info@XYZ.org) or call (800) 111-2222.*

Electronic Documents Act (PIPEDA) supersedes any provincial policy that does not meet the federal standard.

### **Confidentiality Policy**

Staff, board members and volunteers involved in fundraising often are privy to personal information about a donor's giving history, family, wealth and assets. They must understand it is vital to donors and the organization that they keep this information confidential, as is detailed in the *AFP Code of Ethical Principles and Standards of Professional Practice* and *A Donor Bill of Rights*. One way to do this is to have the staff, board members and volunteers read

## SAMPLE DOCUMENT

### CONFIDENTIALITY POLICY

*In performing their duties, Learning School staff, board members and volunteers are privy to information about individuals and families, such as giving history, assets, wealth and family relationships. This is especially true for staff, board members and volunteers involved in fundraising and development activities. Due to the sensitivity of this information, it is important that all Learning School staff, board members and volunteers adhere to the policy that information shared with them remains confidential, is not discussed with others in private or public settings and is not disclosed or used for any other purposes.*

*I agree to comply with this policy.*

\_\_\_\_\_

Name

\_\_\_\_\_

Date

and sign a confidentiality policy agreement. Violation of such a policy would be grounds for discipline and/or removal of the offending people from their positions with the organization.

Often volunteers or other organizations in the area present nonprofits with ideas for new fundraising events. Although your organization may appreciate their interest, many times it is not possible for staff to take on new time-intensive events, given their current duties and responsibilities. This is especially true when you are uncertain of the return on investment for the event.

To be able to respond systematically to such inquiries, you need to develop policies that address the following:

- **Who in the organization should evaluate proposals for new events?**
- **Is there a minimum net profit goal for an event—50 percent of gross proceeds or a specific dollar amount?**

### **Necessary Policies for New or Joint Special Events**

- **What are the demands on staff time?**
- **Are volunteers available to work on the event?**
- **What is the public relations value for the organization?**
- **What are the estimated fixed costs to produce the event?**
- **Is this event similar to others in the area?**
- **How much is financially at risk?**
- **How much is estimated to be raised before the event?**

If you choose to move forward on a new event, it is best that your organization and the volunteer group or other parties involved sign an agreement stipulating such items as:

- **Who is sponsoring the event? Who is the beneficiary of the funds raised?**
- **Who is authorized to sign contracts with vendors and suppliers?**
- **Who is the official spokesperson for the event?**
- **Will any publicity that uses your organization's name in connection with the event be cleared first by your organization? Who is authorized to release its use?**
- **Are there any restrictions your organization has regarding possible event sites, specific sponsors and/or donor recognition?**
- **How will the post-event evaluation be conducted?**

# Complying with Governmental Regulations

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**M**any states require registration of charitable organizations, fundraising counsel and professional solicitors. Complying with registration requirements for those organizations that are not exempted is necessary—not optional. Be certain your organization is registered with the proper agency in your state or province and the states and provinces in which you solicit funds. In most U.S. states, registration is handled by the secretary of state or the attorney general. In a few states, it is handled by the department of consumer protection or the department of agriculture. Visit the National Association of State Charity Officials (NASCO) website, [www.nasconet.org](http://www.nasconet.org), for useful information and links to state charity regulators within the United States.

*Conforming to U.S. State Regulations and the IRS*

## IRS DEFINITIONS

**Charitable organization:** *an organization that is eligible to receive charitable donations and is tax-exempt under federal tax law*

**Fundraising counsel:** *a person or firm contracted to provide a service to nonprofit organizations seeking advice, evaluation or planning for the purpose of fundraising*

**Professional solicitor:** *a person or firm that is paid to solicit funds for nonprofit organizations.*

In this time of heightened accountability for nonprofits, you must be certain your organization complies with two other regulations that many states require:

- **A solicitation disclosure statement that is conspicuously printed on solicitation materials and receipts or wherever the governmental jurisdiction dictates**
- **A required disclaimer in all direct-mail pieces**

Be certain you know and follow the regulations for all states in which you solicit funds. Below you will find the Secretary of State Disclosure Statement for the state of Maryland. All written solicitation materials and receipts must contain the following disclosure statement, required under Maryland's Charitable Solicitations Act.

## SAMPLE DOCUMENT

### SOLICITATION DISCLOSURE STATEMENT

*A copy of our current financial statement is available upon request by contacting (name of organization) at (address and telephone number of organization). Documents and information submitted to the state of Maryland under the Maryland Charitable Solicitations Act are available from the office of the secretary of state for the cost of copying and postage.*

## SAMPLE DOCUMENT

### DIRECT-MAIL DISCLAIMER

*When printing a direct-mail disclaimer, you need to decide the best placement for the text. One acceptable place is on the back of the response card. For some states, no editing of the text is permitted. Check with your state government for specific requirements.*

*(Name of organization) was established in (state) on (date) and incorporated on (date). (Organization) has a 501(c)(3) classification from the Internal Revenue Service and donations are tax deductible. You may send a written request for our annual report to: (name and address of organization). Or, in the alternative, residents of the following states may request information from the offices indicated: (list of states here). Registration with any state does not imply endorsement by that state. A copy of the latest financial statement and/or registration statement for (organization) may be obtained by contacting us at (address and telephone number) or by contacting the state agencies as noted below. (Organization) is in compliance with all state registrations required.*

*The disclaimer statement must contain the specific text required by the state.*

If a contribution is \$250 or more, the donor may not claim a tax deduction without a receipt. When a donor makes a contribution of \$75 or more and receives something in return, such as a book, entertainment or a dinner, the IRS requires the charity to provide the donor with the fair market value of any goods or services the donor may receive. Only the donation that exceeds the fair market value of the goods or services the donor receives is tax deductible.

### **IRS Substantiation and Quid Pro Quo Rules**

## **SAMPLE DOCUMENT**

### **LANGUAGE FOR ACKNOWLEDGEMENT LETTER AND RECEIPT**

*“No goods or services were received in exchange for your contribution, so the entire donation qualifies for a charitable deduction.”*

*“We very much appreciate your gift of \$\_\_\_\_\_ (or description of property). In consideration of your gift, we have provided you with \_\_\_\_\_ (insert description), which we estimate has a value of \$\_\_\_\_\_. The amount of your contribution that is deductible for federal income tax purposes is limited to the excess of your contribution over the value of goods and services we provided to you.”*

## **SAMPLE DOCUMENT**

### **LANGUAGE FOR SPECIAL EVENT CONTRIBUTION**

*“The ticket price is \$100 (\$75 is tax deductible).”*

As noted earlier, the Sarbanes-Oxley law applies mostly to publicly traded, for-profit companies. However, all business entities, including nonprofit's, are expected to have: (1) a Whistleblower Procedure that protects people who make good-faith reports of suspected financial wrongdoing within an organization and (2) a Document Retention/Destruction Procedure that forbids destruction of documents during any

### **Complying with the Sarbanes-Oxley Federal Law**

announced or pending government investigation and otherwise indicates how long different types of documents should be retained and when they can be destroyed.

### **CRA Regulations**

In Canada, to calculate the gift part of the ticket to a fundraising event, the charity can consider that it has received two payments:

- **payment for the fair market value of the meal or entertainment it is providing (not the actual cost of providing the meal or entertainment)**

- **a gift**

For example, a hospital foundation sells tickets for \$200 each to a fundraising dinner-dance. The cost to the foundation of putting on the event is \$45 per person.

The foundation calculates the fair market value of the food and entertainment provided to persons attending the event to be \$75.

The gift to the foundation is the difference between the \$200 ticket price and the \$75 value of the benefit received. The actual cost to the foundation, \$45 per person, is not a factor in calculating the part of the ticket price that is a gift.

Therefore, the foundation can issue a tax receipt indicating the deductibility of \$125 for each ticket purchased.

# How to Proceed

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**T**he fundraising policies and procedures, guidelines and suggested sample language included in this booklet should help fundraisers and their organizations prepare the documents needed for fundraising. For some readers, this booklet may be the push needed to draft their own policies and procedures manual. For others, it serves as a tool to help them evaluate and revise their current policies and procedures. Whatever the case, it is critical to make these documents a priority for the organization.

Once the policies and procedures are approved by the senior staff and governing board, the next step is to make sure these policies and procedures are followed. The executive director, board chair and development director need to set an example for the rest of the staff and volunteer leadership by following the set guidelines and emphasizing their value to the organization, its donors and the general public. Training sessions for board members and staff reinforce the importance of these policies and procedures and help them understand how these policies apply to their work.

As previously mentioned, in today's environment such policies and procedures are mandatory to show that your organization adheres to ethical fundraising practices, to enhance relations with your donors and funders and to improve your development staff efficiency and effectiveness.

## REFERENCES AND RESOURCES

### References

*Ciconte, Barbara L. and Jacob, Jeanne G. Fundraising Basics: A Complete Guide, Second Edition. (Sudbury, MA: Jones and Bartlett Publishers, 2001) To order, visit AFP's website, [www.afpnet.org](http://www.afpnet.org), and go to the Marketplace section.*

*Minton, Frank and Somers, Lorna. Planned Giving for Canadians, Second Edition. (Waterdown, ON: Somersmith, 1997, updated 2000) To order, call (905) 689-2538.*

AFP Fundraising Dictionary. To access, visit AFP's website, [www.afpnet.org/resource\\_center](http://www.afpnet.org/resource_center).

### Other Resources

*Association of Fundraising Professionals, Arlington, Va. ([www.afpnet.org](http://www.afpnet.org))*

*Canada Revenue Agency, Ottawa, Ontario ([www.cra-arc.gc.ca](http://www.cra-arc.gc.ca))*

*eScanlan Company, Bethesda, Md. ([www.escanlancompany.com](http://www.escanlancompany.com))*

*Green Legacies, Victoria, British Columbia ([www.greenlegacies.ca/resources.asp](http://www.greenlegacies.ca/resources.asp))*

*Internal Revenue Service, Washington, D.C. ([www.irs.gov](http://www.irs.gov))*

*Maryland Association of NonProfit Organizations, Baltimore, Md. ([www.mdnonprofits.org](http://www.mdnonprofits.org))*

*MillerThompson, LLP, Toronto, Ontario ([www.millerthomson.com](http://www.millerthomson.com))*

*National Association of State Charity Officials ([www.nasconet.org](http://www.nasconet.org))*

*Canadian Association of Gift Planners ([www.cagp-acpdp.org](http://www.cagp-acpdp.org))*

# Appendix A

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## AFP CODE OF ETHICAL PRINCIPLES AND STANDARDS OF PROFESSIONAL PRACTICE

**T**he Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical standards in the fundraising profession and to preserve and enhance philanthropy and volunteerism.

Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy; are committed to the preservation and enhancement of volunteerism; and hold stewardship of these concepts as the overriding principle of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled. To these ends, AFP members embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support.

AFP members aspire to:

- ▶ practice their profession with integrity, honesty, truthfulness and adherence to the absolute obligation to safeguard the public trust;
- ▶ act according to the highest standards and visions of their organization, profession and conscience;
- ▶ put philanthropic mission above personal gain;
- ▶ inspire others through their own sense of dedication and high purpose;

*Statement of  
Ethical Principles  
Adopted 1964;  
amended October  
2004*

- ▶ improve their professional knowledge and skills, so that their performance will better serve others;
- ▶ demonstrate concern for the interests and well-being of individuals affected by their actions;
- ▶ value the privacy, freedom of choice and interests of all those affected by their actions;
- ▶ foster cultural diversity and pluralistic values, and treat all people with dignity and respect;
- ▶ affirm, through personal giving, a commitment to philanthropy and its role in society;
- ▶ adhere to the spirit as well as the letter of all applicable laws and regulations;
- ▶ advocate within their organizations, adherence to all applicable laws and regulations;
- ▶ avoid even the appearance of any criminal offense or professional misconduct;
- ▶ bring credit to the fundraising profession by their public demeanor;
- ▶ encourage colleagues to embrace and practice these ethical principles and standards of professional practice, and;
- ▶ be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy.

### **Standards of Professional Practice**

Furthermore, while striving to act according to the above values, AFP members agree to abide by the *AFP Standards of Professional Practice*, which are adopted and incorporated into the *AFP Code of Ethical Principles*. Violation of the Standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

1. Members shall not engage in activities that harm the members' organization, clients, or profession.

**Professional  
Obligations**

2. Members shall not engage in activities that conflict with their fiduciary, ethical, and legal obligations to their organizations and their clients.

3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.

4. Members shall not exploit any relationship with a donor, prospect, volunteer, or employee for the benefit of the members or the members' organizations.

5. Members shall comply with all applicable local, state, provincial and federal civil and criminal laws.

6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications.

7. Members shall take care to ensure that all solicitation materials are accurate and correctly reflect their organization's mission and use of solicited funds.

**Solicitation and  
Use of  
Philanthropic  
Funds**

8. Members shall take care to ensure that donors receive informed, accurate, and ethical advice about the value and tax implications of contributions.

9. Members shall take care to ensure that contributions are used in accordance with donors' intentions.

10. Members shall take care to ensure proper stewardship of philanthropic contributions, including timely reports on the use and management of such funds.

11. Members shall obtain explicit consent by donors before altering the conditions of contributions.

### ***Presentation of Information***

12. Members shall not disclose privileged or confidential information to unauthorized parties.

13. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization is the property of that organization and shall not be transferred or utilized except on behalf of that organization.

14. Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.

15. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)\* for the type of organization involved. (\* In countries outside of the United States, comparable authority should be utilized.)

### ***Compensation***

16. Members shall not accept compensation that is based on a percentage of contributions; nor shall they accept finder's fees.

17. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of contributions.

18. Members shall not pay finder's fees, or commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.

# Appendix B

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## APRA STATEMENT OF ETHICS

**A**ssociation of Professional Researchers for Advancement (APRA) members shall support and further the individual's fundamental right to privacy and protect the confidential information of their institutions. APRA members are committed to the ethical collection and use of information. Members shall follow all applicable national, state and local laws, as well as institutional policies, governing the collection, use, maintenance and dissemination of information in the pursuit of the missions of their institutions.

Advancement researchers must balance an individual's right to privacy with the needs of their institutions to collect, analyze, record, maintain, use and disseminate information. This balance is not always easy to maintain. To guide researchers, the following ethical principles apply:

### **A. Confidentiality**

Confidential information about constituents (donors and non-donors), as well as confidential information of the institutions in oral form or on electronic, magnetic or print media are protected in order to foster a trusting relationship between the constituent and the institution. This means that the information is not available for anyone except development professionals and their agents, to see.

### **B. Accuracy**

Advancement researchers shall record all data

## *Code of Ethics*

### *I. Fundamental Principles*

accurately. Such information shall include attribution. Data analyses and their by-products should be without personal prejudices or biases.

### **C. Relevance**

Advancement researchers shall seek and record only information that is relevant to the cultivation, solicitation and/or stewardship strategy with the prospect.

### **D. Self-responsibility**

Advancement researchers often play a significant role in developing and monitoring advancement department policies on information storage and confidentiality. It is important that advancement researchers lead by example. First, advancement researchers should develop clear policies and procedures for the prospect research department on the collection, storage and distribution of constituent information and analysis. Second, when possible, advancement researchers should advocate for the development and adoption of institution wide ethics guidelines and privacy policies which are at least as complete as the APRA *Statement of Ethics*.

### **E. Honesty**

Advancement researchers shall be truthful with regard to their identities and purpose and the identity of their institutions during the course of their work.

### **F. Conflict of Interest**

Advancement researchers should be careful to avoid conflicts of interest. Prospect research consultants should have explicit policies which outline how they will deal with conflicts of interest between clients. Advancement researchers who are employed full-time for an institution and also perform consulting services should be certain that the consulting services do not represent a conflict of interest with their primary employer.

## **A. Collection**

The collection of information should be done lawfully, respecting applicable laws and institutional policies.

Advancement researchers should be experts on the reliability of sources (print, electronic and otherwise), as well as the sources utilized by third parties to gather information on their behalf.

Advancement researchers should not evade or avoid questions about their affiliations or purpose when requesting information in person, over the phone, electronically or in writing. It is recommended that requests for public information be made on institutional stationery and that these requests clearly identify the requestor.

Advancement researchers should use the usual and customary methods of payment or reimbursement for products or services purchased on behalf of their institutions.

Advancement researchers who are employed full-time for an institution and also perform consulting services should develop clear understandings with their primary employers about the use of the employers financial and human resources.

## **B. Recording and Maintenance**

Advancement researchers shall present information in an objective and factual manner; note attribution and clearly identify information which is conjecture or analysis. Where there is conflicting information, advancement researchers should objectively present the multiple versions and state any reason for preferring one version over another.

Advancement researchers should develop security measures to protect the constituent information to which they have access from access by unauthorized persons. When possible, these measures should include locking offices and/or

## ***II. Standards of Practice***

file cabinets and secure and frequently changed passwords to electronic databases. Advancement researchers should also advocate institution-wide policies which promote the careful handling of constituent information so that constituent privacy is protected. The use of constituent databases over a wireless Internet connection is not recommended.

Where advancement researchers are also responsible for donor giving records and their maintenance, they should develop security measures to provide very limited access to the giving records of anonymous donors. Access to these records should be limited to only those staff who need the information to successfully cultivate, solicit or steward said donor.

Where there is no existing case law which outlines clearly the rights of a donor in accessing advancement files (paper and/or electronic), advancement researchers should work with their institutions legal counsel to develop an institution specific policy regarding this access. This policy should be put in writing, approved by the President/CEO and distributed to any advancement professionals who might field a request for such access.

When electronic or paper documents pertaining to constituents must be disposed, they should be disposed in a fashion which lessens the danger of a privacy breach. Shredding of paper documents is recommended.

### **C. Use and Distribution**

Researchers shall adhere to all applicable laws, as well as to institutional policies, regarding the use and distribution of confidential constituent information. Careful consideration should be given to the use of electronic mail and faxes for the delivery of constituent information.

Constituent information is the property of

the institution for which it was collected and shall not be given to persons other than those who are involved with the cultivation or solicitation effort or those who need that information in the performance of their duties for that institution.

Constituent information for one institution shall not be taken to another institution.

Research documents containing constituent information that is to be used outside research offices shall be clearly marked “confidential.”

Vendors, consultants and other external entities shall understand and agree to comply with the institution’s confidentiality policies before gaining access to institutional data.

Advancement researchers, with the assistance of institutional counsel and the advancement chief officer, should develop policies which address the sharing of directory information on their constituents with other institutions. Constituent requests to withhold directory information should be respected in all cases.

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# Appendix C

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## SAMPLE PLEDGE COMMITMENT FORM

**D**onor Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone Number: (H) \_\_\_\_\_  
(O) \_\_\_\_\_

Gift/Pledge Commitment: \_\_\_\_\_  
to be paid over \_\_\_\_ years

Purpose of Gift (how is gift is to be used—to fund a building, scholarship, program support, etc.):

\_\_\_\_\_

Donor recognition (how donor will be recognized as per agreement, i.e. name a physical space, scholarship fund, program, etc.; and whose name will appear, etc.):

\_\_\_\_\_

Preference for listing in donor recognition materials:

\_\_\_\_\_

Payment Schedule:

Amount \$ \_\_\_\_\_ to be given:

Annually \_\_\_\_ Quarterly \_\_\_\_ Monthly \_\_\_\_

Signature of Donor

\_\_\_\_\_

Date \_\_\_\_\_

Signature of Organization Representative

\_\_\_\_\_

Date \_\_\_\_\_

# Appendix D

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## SAMPLE GIFTS OF PERSONAL PROPERTY POLICY

**F**or gifts of personal property valued in excess of \$5,000, the donor must pay for an appraisal by a qualified appraiser. The organization must acknowledge the appraisal in writing to be attached to the donor's tax return. The organization is required to notify the IRS/CRA of the sale price of any property gift sold within two years of the date of the gift.

### APPRAISALS IN CANADA

*In Canada, for gifts of personal property valued in excess of \$1,000, the charity can pay for the appraisal if it wishes, but the best practice is that the donor should pay.*

#### **Furniture:**

▶ Gifts of furniture will be accepted if the furniture is usable in the organization's facilities or can be quickly sold for an amount approximate to the amount the donor wished to take as a tax-deductible contribution. Donors are responsible for establishing their own deduction.

▶ The organization will ask a furniture dealer to give an estimate of value so that it can be booked as an asset in cases where the items are to be used by the organization.

▶ The development department will maintain a list of other charities that accept gifts of furniture for those donors whose furniture cannot be used by the organization.

#### **Automobiles:**

▶ Gifts of automobiles will be accepted by the organization if they are in working order and

saleable. According to recent U.S. legislation, for vehicles with values of more than \$500 or that generate proceeds of more than \$500, the donor's deduction is determined in one of two ways:

1. If the car is sold without any significant intervening use or material improvement by the organization, the deduction is limited to the amount of gross proceeds received from the sale.
2. If the organization intends to make significant intervening use or materially improve the car, the donor generally can deduct its fair market value.

**Other:**

▶ Other gifts of personal property will be accepted if they are usable to the organization or are easily saleable. The donor is responsible for establishing the value of the contribution. If the organization decides to sell the item but thinks the noted value is higher than what could be realized by its sale, the development department will inform the donor.

▶ Before accepting personal property gifts, the following also will be considered—transportation cost, storage cost, cost of selling, maintenance and repairs.

## THE AUTHOR

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*During her career she has been active in the Association of Fundraising Professionals, serving on the board and as president of AFP's Greater Washington, D.C. Area Chapter, as well as more recently a past board member and vice chair for AFP's professional advancement division. She also is a charter member of AFP's Leadership Society. Barbara is a past recipient of the Greater Washington, D.C. Area Chapter's Outstanding Fundraising Professional award.*

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## NOTES

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# A Donor Bill of Rights

*PHILANTHROPY* is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

## I.

*To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.*

## II.

*To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgement in its stewardship responsibilities.*

## III.

*To have access to the organization's most recent financial statements.*

## IV.

*To be assured their gifts will be used for the purposes for which they were given.*

## V.

*To receive appropriate acknowledgement and recognition.*

## VI.

*To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.*

## VII.

*To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.*

## VIII.

*To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.*

## IX.

*To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.*

## X.

*To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.*

### DEVELOPED BY

ASSOCIATION FOR HEALTHCARE PHILANTHROPY (AHP)

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