


Gifts With Strings... and Other

Adventures in Fundraising





Untangling today's complex scenarios with donors and partners

BY MEREDITH BARNETT

Most gifts to educational institutions are made in the spirit of generosity by committed donors aligned with the college, university, school, or nonprofit's mission.

But plenty of fundraisers have a story or two to tell about times when the giving process is a bit tricky. Maybe there's an alumnus who wants to donate an art collection... but the cost of housing it is immense. Or there's a local leader keen on funding a new building... but eager to exert control over construction details. Or there's a longtime donor who is now embroiled in scandal.

Today, these scenarios unfold in an increasingly complex philanthropic landscape. Donors have become savvier and are holding institutions more accountable. But high-profile missteps with donors or controversial gifts play out with heightened scrutiny in the media and online.

Here, four veteran development leaders and CASE volunteers explore why fundraising has gotten more complex today—and how to navigate five tricky fundraising scenarios, including proving your case to donors, grappling with donor control, negotiating to reach a “yes,” and walking away from gifts with too many strings.

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Why is today's giving environment more complex?

Public scrutiny and social media

"Missteps around acceptance of gifts (like almost everything else) are amplified today due to near instantaneous reactions and the breadth of opinions (both informed and uninformed) that surface via social media. Our institutions are under significantly more public scrutiny today. Today's considerations are more complex than ever, and complexity does not fit neatly into a Twitter or Reddit post."

— Lisa Grider, Director of Advancement and Strategic Initiatives at Trinity Valley School, Fort Worth, Texas, U.S.

Savvier donors and a crowded philanthropic space

"Donors are savvier and holding the recipients of their philanthropy more accountable than ever before. Twenty years ago, our competition was other universities. Today, there's been tremendous growth in the number of nonprofits and they've gotten more sophisticated in how they approach

donors. Donors are being solicited from so many different angles. That's caused some donors to go a bit more underground—they say: I don't want my name on things because I'll get bombarded."

— Brian Sischo, Vice Chancellor for University Advancement and President of NC State University Foundation, North Carolina State University, U.S.

Declining trust in higher education

"There's been a well-charted decline in trust in public and educational institutions. I prefer to focus on the facts that universities and development officers can control, though. There's not much we can do about deepening distrust of organizations, but we can encourage people to feel our organizations are trustworthy and that they can have a positive experience in giving to us."

— Chris Cox, Vice Principal at The University of Edinburgh, Scotland

Reputation and risk

"We've always valued how a donor's positive reputation helped build the credibility of our cause. But the opposite is also true, right? When they behave poorly or their businesses have a negative impact on society, that can tarnish our reputations. So, we have to look at these relationships maybe a bit more holistically than we did in the past. We've always been focused on matching a donor's passions to the university's mission, values, and needs. But we need to be careful that the donor's values and reputation align with the university's."

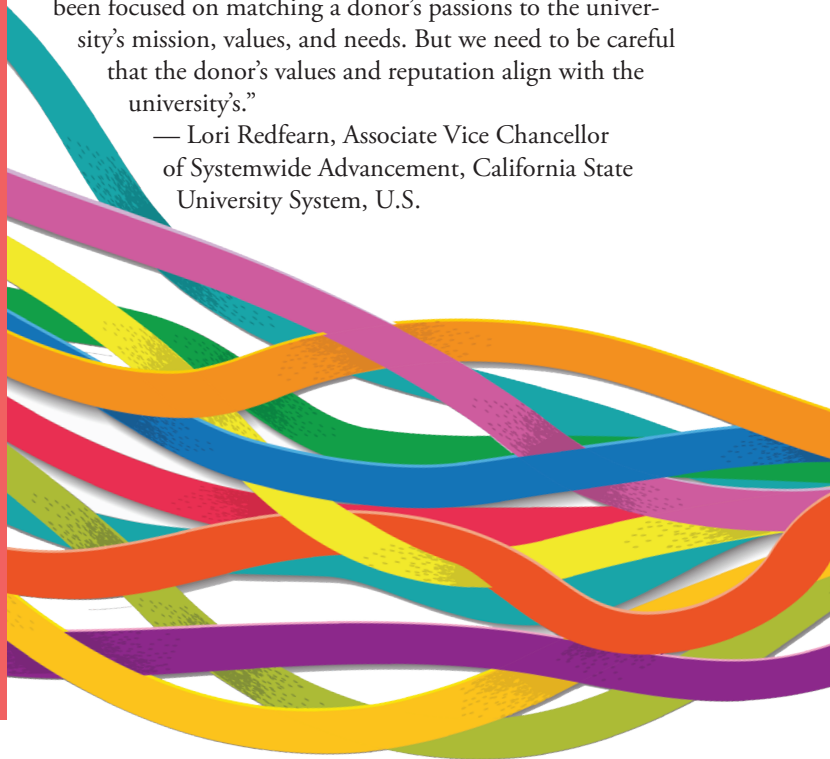
— Lori Redfearn, Associate Vice Chancellor of Systemwide Advancement, California State University System, U.S.

Gift Agreements: 3 Key Tips

Use clear, easy-to-understand language and keep them as simple as possible. "I get worried when gift agreements start going beyond two or three pages." — Chris Cox

Review and learn from existing policies. "Learn from other institutions about the kinds of things that can go wrong, and make sure your policy addresses those. Have several layers of decision-making (depending upon the size of the gift)." — Lisa Grider

Clarify expectations. In addition to the gift agreement, "we put together what we call administrative procedures of who, what, where, when, why, and how we'll be responsible for delivering on the program. All of that has to take place at the front end—if it doesn't, that's when unwelcome surprises happen down the road. It's about clarifying expectations at the onset." — Brian Sischo



Navigating Complexities: 5 Scenarios with Donors

1 CHALLENGE: Proving your case

Scenario: *A donor or funder is in a position to make a significant investment—but wants to see proof of concept first.*

“Donors are willing to work with your organization, but if it’s something new and different, they want the case proven before they’re willing to go all in.

The approach I take is having the conversation with the donor about what they most care about. You get an understanding of their values and the things that are most important. We’re working with one donor who was a first-generation student here from a lower middle-class family. The game changer for him was a study abroad experience at Oxford University (U.K.). We were able to zero in on that vision, and now we’re creating a pilot program of a fund to provide students with demonstrated financial need the ability to have an experiential learning experience. We’re starting with a thousand students. Now, we’re going to be able to demonstrate the impact over the first three, four, or five years. These are the metrics: graduation rate, grade point average, first job salary—combined with the qualitative impact. Then he’ll be in a position to endow this. He wanted us to prove our case first.” — Sischo

“Increasingly, funders, in discussions with the university, will come with a strong requirement that we will match or double match or make a commitment that we will raise a certain amount of funding beyond their gift within a set period of time. It comes back to the issue of trust for some donors—they don’t want to be the only funder.

Everybody wants to see a program scale up, so we’ll often say to a donor: if you will support this key, early

proof-of-principle stage of a research program, and if it’s successful, then we may be able to attract some significant funding from research charities or government. And, of course, we hope you’ll want to continue funding it.

One brilliant example I can share is our Baillie Gifford Chair in the Ethics of Data and Artificial Intelligence [launched in 2019]. We had those conversations with the organization to say: if you fund this chair, we believe we can leverage significant additional funding—which we did with a research grant from the U.K. government.” — Cox

2 CHALLENGE: Gifts that “cost too much”

Scenario: *A donor wants to endow a professorship but wants to be involved in the appointments or selections. Or a donor wants to give a piece of land but stipulates exactly how it must be used. Or a donor wants to give a collection, but the cost of maintaining it will be staggering.*

“A gift that costs too much—as Gretchen Wood, Vice President, Institutional Advancement and Executive Director of the Monroe Community College Foundation says—can be those with unacceptable strings attached. An example would be a donor who wishes to be involved in the selection of a scholarship, fellowship, or endowed chair recipient. But sometimes it might be simpler than that. We have to ask ourselves:

- Is our institution capable of maintaining this facility, program, or award that the gift creates?
- Is our institution capable of stewarding the gift in a way that is consistent with the donor’s interest and expectations? For example, should an independent school accept a highly valuable piece of art if the school is not capable of curating, storing, and displaying the work in the appropriate manner?

If the gift does not align with the institution’s mission and current funding objectives, will acceptance of the gift foster additional gifts for things the institution simply does not need?” — Grider

“The vast majority of donors completely trust the university [to make academic appointments], but occasionally the donor does want involvement in the process. Good guidelines help; we’ve been pretty strong in the U.K. and Europe on guidelines across the sector. We’ve had to walk away from one or two opportunities where a donor was

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insisting on having a power of veto over an appointment. We just can't do that within a university." — Cox

"In education institutions, there's a lot of balancing a donor's particular view on life and academic freedom. We've had donors who want to be very involved in curriculum development or creating a new degree program, and we have to consider if the program is really viable. Some of the gifts that we've had to unwind are when a donor has wonderful, strategic goals about a program, but we don't have enough students who want to pursue a degree in that. Then we can't follow through authentically on what the donor intended for those funds. We have to be careful that we're not getting so excited about a donor's passion that we aren't answering, operationally, how we are going to be able to carry that forward." — Redfearn

"It's sometimes challenging because the message the donor hears is: 'You're turning me down; I'm a loyal alumnus, and this is important to me.' But we have to turn that into: 'We'd love to accept your collection of [x]. But in order to do so, we're going to need your help to be able to make sure it's properly cared for over time. Would you be willing to create an endowment that will provide the spending budget we're going to need for that?' If the answer is, 'no' then... well, as much as we'd like to do this, we can't." — Sischo

"There are going to be gifts that are complex that include both true philanthropy and potentially some contractual arrangements or other types of benefits, or there might be a blurring of benefits back to the donor or their company. So be mindful of the CASE Global Reporting Standards as to what can actually be reported as philanthropy. ... Also, don't make decisions in a vacuum. Bring a lot of smart people to the table to think through the issues. If you can talk to a system leader or colleague outside of your organization, it's always good to have a network to bounce ideas off of." — Redfearn

3 CHALLENGE: Potential gift not aligned with institutional priorities
Scenario: A donor had a great relationship with a coach and wants to invest in a new athletics facility—but what they envision is bigger (and costlier) than what your institution needs.

On Ethics

Excerpt from Global Exchange: Dialogues to Advance Education by Sue Cunningham, CASE President and CEO

I spend time every day learning about donors to schools, colleges, and universities. ... A significant proportion of philanthropic investment supports education, which is an indisputable public and societal good. And yet, the tiny percentage of gifts or donors that may be tainted in some way receive vastly disproportionate media coverage. While questions can arise about the motivations or actions of an institution receiving a gift, there can also exist perceptions of donors either seeking inappropriate levels of influence in institutions or having a reputation that has a negative effect on institutions.

The ethics of philanthropy is a subject that is critical for fundraising professionals to consider and debate at every stage of their career. I have participated in and led a number of sessions at CASE institutes where we have shared case studies reflecting situations that are ethically challenging. It is consistently true that these discussions acknowledge that the answers are not straightforward and that the situations require individual ethical judgement combined with guidelines set out by the institution. The framework and guidelines provided by CASE, which include the CASE Principles of Practice and the CASE Statement of Ethics, are vital resources. [Ultimately] the most effective relationships [with donors] embrace a strong sense of partnership and respect today and in the future. Acknowledging the importance of the donor's reputation, alongside that of the institution, is essential.

"[We had a case] where the donor's dreams far exceeded what we were comfortable producing—we shouldn't build a US\$10 million facility when what we need is a \$3 or \$4 million dollar facility. This was one of those cases where, rather than accepting we'd be building a Taj Mahal and then struggling to come up with additional money, it was better for us to part ways on that particular project. Be careful about taking on projects when you see dollar signs but can't deliver on that." — Sischo

Scenario: A donor wants to address a need that's not a priority—and is already being addressed through other dollars.
"When delivering the 'no,' start with thanks—always!



Keep in mind that the donor *wants* to support your school; now it's your job to cultivate and channel that desire to make a gift to something that will meet both the donor's interest and the school's needs. In the few number of cases when this has occurred in my career, the conversation has resulted in a deeper level of understanding on both sides and a level of respect for the institution's willingness to practice philanthropic and fiscal discipline and the donor's generosity of spirit." — Grider

"Donors sometimes have a very clear impression of what it is they want to create. It comes down to why this is a relationship business. You've got to spend time getting to know these folks and what they want to achieve. Start with the outcome in mind, then work back and recognize that it's a customized approach. I take the position that 'no' means 'not yet.'" — Sischo

4 CHALLENGE: Revisiting old agreements
Scenario: Arriving at a new institution, you inherit an older gift agreement that created a research partnership between several organizations, but the work is collapsing now. Or a donor who made a pledge decades ago hasn't been able to fulfill it in years.

"That's a really difficult situation; it's not a pleasant experience to let donors down. [I've had one situation] where it was pretty clear that the goals of a previously agreed tripartite agreement between an individual donor, a separate charity, and the university were not aligned. We renegotiated everything and ended up with separate agreements with the various organizations. Now it's a successful program. This is the kind of negotiation that's rarely in the job description: bringing these more complicated, multi-year, multifaceted agreements together. But that's the most enjoyable, fulfilling [fundraising] work, too—because

research makes the world a better place." — Cox

"In the case where we have to take action for whatever reason, our gift policies are there to back us up. In my mind, we owe it to all the other donors we have to hold that donor accountable. [Once, we had to remove a naming due to an unfulfilled pledge], and we had our policy in place to address that. We ended up identifying an equivalent naming opportunity [proportionate to what the donor did give]." — Sischo

5 CHALLENGE: A donor's history doesn't align with institutional values

Scenario: Sensitive allegations about a donor have arisen—and it's clear that your institution can't proceed with a partnership.

"This is where we have to be pretty sensitive to the interests of our stakeholders, including our students. In some cases, that means having to explain that if we were to move forward at this time, we could end up with significant unrest, potentially with students or other stakeholders.

"We've become really good in the U.K. with the due diligence processes we undertake to understand the source of funding and manage reputational risk. It's part of what all parties need to understand before they commit to a partnership. Once you get to the gift agreement, you want to make sure that all your key internal stakeholders in the university are comfortable with any commitment we're making and that the donor has the clarity of expectation of how this is all going to work. You don't want to get anywhere near the gift agreement stage unless you're really sure of a partner you want to work with." — Cox

"It has become more important now for us to have what we call 'good citizenship clauses' in our donor agreements that say: it is your valuable reputation as much as your gift that brings this recognition to you, and if something should change in the future about your reputation and how it impacts the university, we reserve the right to remove the recognition." — Redfearn ●

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