

## Donor Relations: When Problems Arise

BY VINCE FRAUMENI

**D**o you have a planned giving advisory committee? Do you have gift-acceptance policies and procedures? If you don't, you should consider creating and developing both. They can come in handy when problems and issues arise with donors, donor referrals, and unusual gift expectations.

### Advisory Committee

An advisory committee can be best utilized to advise the planned giving officer on such matters as whether or not a particular asset should be accepted in exchange for a gift arrangement. That does not mean that the committee should block all assets in question. It can, however, be especially helpful with the gift-acceptance evaluation process.

For example, a donor may want to make a gift of real estate to your organization in exchange for a life-income arrangement. The asset may be free from debt, liens, and contaminants, and well-maintained.

On the other hand, if the real estate is a "problem property" for the owner and carries with it such issues as inflated valuation, high debt, or longtime deferred maintenance, your committee can assist with evaluating and recommending that the charity not accept the gift in its current state. They can suggest what specific changes are needed in order to accept the gift.

### Policies

All nonprofit organizations should have established policies, procedures, and guidelines for accepting all gifts, including planned gifts and related assets. The PGO should have a certain amount of autonomy to quickly facilitate standard gifts of assets such as cash and publicly traded securities in exchange for traditional charitable gift annuities, and charitable trusts. However, gift-acceptance policies can be extremely helpful when hard-to-value assets are presented or donors have special requests or expectations in regard to gift arrangements.

It is not unusual for the PGO to receive an inquiry from a prospective donor who would like to make a gift

of a highly valued asset in exchange for a life-income arrangement. After thanking the prospect for their consideration, it is important to begin a series of due diligence questions. They include asking about the asset and any related restrictions. One should also ask about the expected rate of return, and time frame for the first income distribution.

Recently, I received such a call. Upon asking about the asset, I learned it was real property located in a popular resort area. It was highly valued, and had a high mortgage to go with it. The donor did not want a charitable remainder unitrust that would have a deferred payment associated with it. Instead, he wanted a gift annuity with a higher payout amount than standard for his age.

Fortunately, the agency I was working with had established policies and guidelines for such matters. Included in our advisory network was a nationally known charitable real estate consultant. Upon contacting him, I discovered that he had been approached by three other agencies in regard to the same gift. The donor was shopping. He confirmed that the property in the current market was over-valued. The difference between the claimed value and the mortgage was too small to accept the gift on the donor's terms.

The process of negotiating with a difficult donor can best be facilitated when the PGO has board-adopted policies and an advisory committee that he or she can draw upon for expertise. The PGO should not be left to make decisions that could anger a donor when a gift arrangement cannot be structured in such a manner that it is in the mutual best interest of the charity and the donor. The PGO should always have the backing of the organization so that he or she can successfully convey legal, ethical, and organizational limitations for accepting a gift.

Are your gift-acceptance policies and advisory committee in place?

*Vince Fraumeni is a planned giving consultant in Southern California. He is a past board member of the National Committee on Planned Giving and a current member of Planned Giving Mentor's National Board of Consultants.*

[v.fraumeni@verizon.net](mailto:v.fraumeni@verizon.net)

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