

Written by Editorial

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We all know it is better to give than to receive. But when making a financial gift to a nonprofit, how do we know the funds are going to good use? How can we be sure the organization is legit from the get-go? Chief executive officer of Alliance of Arizona Nonprofits, Kristen Merrifield, CAE, addresses common concerns when it comes to giving to a nonprofit.

AFM: What research should someone do before giving to a nonprofit?

KM: Donors should always make sure that the nonprofit is a valid organization with an EIN (Employer Identification Number). To do so, we recommend using a couple of trusted online resources.

- GuideStar.org is a trusted online resource that houses information on IRS-recognized tax-exempt organizations. Donors can find charities by name, see their mission, impact and [the site] houses financial information. GuideStar is purely an informational site but provides more than enough data for you to make an educated decision.
- American Institute of Philanthropy (AIP) provides extensive information about charities and grades the top 500 in the country with an A through F explained by the Charity Rating Guide. The site explains the rating system and shares which charities have questionable practices or structures.

AFM: Any tell-tale signs that a charity is fake?

KM: There really isn't a tell-tale sign. Of course using the two resources mentioned above can certainly help. Donors need to give themselves time to make an educated decision and exercise a little caution before giving a donation. For example, an outdated or poorly designed Web site isn't necessarily a sign of a suspicious organization. It may belong to a fantastic nonprofit that simply doesn't have good design resources. On the other hand, a well-designed Web site could just as easily belong to a legitimate or illegitimate nonprofit.

AFM: What is the first step someone should take when deciding if they want to provide a financial gift to an organization?

KM: Once a donor has decided they want to provide a financial gift to an organization, he/she needs to determine the amount they are comfortable giving. This gift could be a one-time gift or given over a period of time. Depending on the amount, he/she may also want to determine if there is a specific program within the charity where the funds are to be used. Don't be afraid to give non-targeted funds, however, since this gives a nonprofit the flexibility to move funds around as their needs change. If you believe in an organization and their mission, you should be able to trust them to make a strategic decision on where your donation can do the most good at any given time.

AFM: Is there a way of knowing which organization in a specific realm needs the most assistance?

KM: It's not easy to determine who needs the most assistance and in what way. Some organizations could not do what they do without the help of volunteers, while others rely only on funding. It's really about researching the nonprofits by going to their website and social media pages for clues about their needs. The easiest way to find out what a nonprofit's current needs are is to ask. You may also find that one of a nonprofit's greatest needs is to start a program that doesn't even currently exist.

AFM: Is it possible to be certain a donation is going directly toward the intended cause?

KM: Yes, you can request documentation as to how your donation funds were applied and used. This can be an agreement (letter) that clearly states the type of follow-up information you desire and when you want to receive it.

AFM: Is there a way to know if you are giving too much or too little?

KM: Giving and the amount a donor gives is truly an individual decision. We would encourage each donor to call the organization and ask to have a conversation if they are not intimately familiar with them. Some donors may choose to gift everything to one organization while others may choose to spread their wealth/designated budget out over several organizations.

AFM: What are the pros and cons of a one-time gift versus long-term giving?

KM: Whether a donor chooses a one-time gift or long-term giving, it's a personal decision that has to be made with all the facts in front of you. Some choose one type of giving over the other for tax purposes, while others may feel one is the best way to ensure the funds are being used in the most impactful way possible.

How to Give: Q & A with Alliance of Arizona Nonprofits

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AFM: Any tips for someone who wants friends to give charitable donations in lieu of traditional gifts for a wedding or birthday, for example?

KM: Always contact the nonprofit first before making this decision since there are a lot of answers to determine first. How does the nonprofit prefer to receive these funds- paper form or online? Is there an expectation of recognizing the organizer? Does each individual need a receipt for tax purposes or would all the donations be coming from one person who has collected the donations? A nonprofit wants to know how the donation came to be and how an individual(s) should be recognized/thanked for their donation.

AFM: What follow-up paperwork should you request or expect upon making a financial gift?

KM: After making a financial gift, at a minimum the donor should expect a letter from the nonprofit acknowledging the receipt and amount of the gift and potentially what portion of the gift is tax deductible.