Fundraising Risk: What to Consider Before Starting a Donor Relationship

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Webinar Agenda

- **Overview: Types of Fundraising Risks**
- **How to Mitigate Common Fundraising Risks**
- **How to Navigate Ethical Issues of Potential Donations**
- **Closing Thoughts**
Overview: Types of Fundraising Risks

Some Common Fundraising Risks

- Donor dissatisfaction
- Mission drift/mission creep—a donation pulls an org away from its mission
- Data breach/theft of donor information
- Compliance risks with restricted funds
- Risks around power imbalances in grantmaking
- Artificial intelligence risks in fundraising
- Ethical risk/backlash against a donor or organization
Ways to Mitigate Common Fundraising Risks

Show Accountability to Donors

- Send timely gift acknowledgements
- Honor restrictions on gifts you accept (we’ll come back to restricted funding later)
- Disclose to the public what the law requires
- Provide timely reports to foundations and/or government funding sources
- Recognize donors according to their preferences
- Know what a written gift acknowledgement should include and when one is required

Source: National Council of Nonprofits
Gift Acceptance Policies

- Spell out the policy’s purpose.
- State who can accept gifts on your organization’s behalf.
- Develop a checklist for accepting gifts.
- Decide what kinds of non-cash gifts you’ll accept (in-kind gifts, stock, automobiles, etc.)
- Determine whether you will enter into planned gift agreements.
- Explain how gifts will be recognized and tracked.

Safeguard Donor Information

- Take inventory of the information you have.
- Limit data collection.
- Nail basic cybersecurity.
- Get encryption.
- Limit access to sensitive data.
Restricted Funds: What to Consider

- Do the donation restrictions align with your charitable purpose?
- Can you comply programatically with any proposed restrictions? Administratively?
- Nonprofits can’t unilaterally remove donor-imposed restrictions. Are you OK with that?

Restricted Funds: The Bigger Picture

- Should restricted funding even exist? There’s a healthy debate about that!
- What funders can do:
  - Lower barriers to funding.
  - Accept simultaneous submissions.
  - Give multiyear grants.
  - Give operating funds wherever possible.
- What grantees can do:
  - Consider not applying to opportunities whose criteria you don’t agree with.
  - If you can call in funders to do better, do so.
Artificial Intelligence in Fundraising

- There is SO MUCH to consider. Start with these two guidelines:
  - Identify ONE pain point you want to solve.
    - What should humans do? What should machines do?
    - What safeguards will you put in place?
    - Test and evaluate.
      - Beth Kanter, author, “The Smart Nonprofit: Staying Human-Centered in an Automated World”
  - No technology without human oversight.

How to Weigh Ethical Issues of Potential Donations
A framework for donation ethical decisions

- Clearly identify the ethical issue.
- Get the facts.
  - Consider the interests of people and groups with a stake in the outcome.
- Identify options and evaluate them against the organization’s mission and values.
  - Refuse, return, or retain the gift?
- Make your choice. Test your decision.
- Act and reflect on the outcome.
  - Source: Markkula Center for Applied Ethics, Santa Clara University
Takeaways

- Take time now to craft or review policies and procedures around donations.
- When in doubt, consult a good ethical framework.
- Keep learning, and ask your team and your donors for feedback.

Resources

**Accountability to donors**

**IRS guidance on gift acknowledgements**

**Gift acceptance policies**
https://nonprofitaccountingbasics.org/policies-procedures/policy-development-outline-small-midsize-nonprofit-organizations#_msocom_1
https://nonprofitlawblog.com/donation-policy-controversial-donations/
## Resources

**Restricted funding**

**Safeguarding donor information**
https://nonprofithub.org/how-to-keep-your-donor-data-safe/#:~:text=Make%20sure%20any%20financial%20or,be%20stored%20in%20plain%20text

**Alternatives to traditional grantmaking**
Common Future's alternative to a grant agreement
https://www.about.commonfuture.co/equitable-fundraising

## Resources

**Global principles for funding equity**
https://thewisefund.org/about-us/global-principles-for-funding-equity/

**Artificial intelligence in fundraising**
Webinar - Unlocking the Potential of AI for Nonprofits - Overcoming Fear with Curiosity
https://share.descript.com/view/oMPWuzQlsqZ

**Markkula Center for Applied Ethics’ ethical framework for reviewing gifts**
Thank you!

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