

## PRODUCT PREVIEW

# Gift Agreement LETTER

### SITUATION

When a donor designates a large gift for a specific purpose at a U.S.-based nonprofit, there will typically be terms and conditions surrounding the donation. It is likely that there are negotiations between the donor and the grantee to identify and clarify the way in which the gift is to be used. In such cases, it is prudent to express the results of these negotiations and other restrictions in a clear written form. A *Gift Agreement Letter* achieves this.

### MARKET

Major donors—foundations, corporate givers, family offices, and high net worth families—who make designated gifts should use a *Gift Agreement Letter* to specify the gift amount and terms. Also, smaller gifts that have complex terms should employ this product.

### DESCRIPTION

A *Gift Agreement Letter* states the amount of the grant and spells out in a series of clear and concise sequential points all terms and conditions pertaining to the donation. It is written in a businesslike, formal manner but avoids legal terminology or a threatening tone. Conditions may address issues such as: authorized uses of funds, reporting requirements, donor's right of access to the project, key staff, hiring requirements, anonymity, a naming opportunity, and a timeline and milestones. If the gift includes making the grant in tranches upon achievement of certain milestones, these intermediate goals will be spelled out in the *Letter*. It provides the option of an "exit strategy" should the project fail and the donor wish to withhold further funding.

In some cases, extensive negotiation is a part of preparing the *Letter*. Differences may exist between the donor's priorities and the grantee's, and these will be resolved prior to finalizing the *Letter*.

### PRODUCT USES

Likely uses include helping donors:

1. Though not expressed in legal or contractual terminology, the *Gift Agreement Letter* helps to ensure a common understanding of the pending donation and creates a record of the agreement.
2. It provides an opportunity to clarify expectations and enhance the likelihood of a project's success.
3. A mutually agreed-to set of terms and conditions serves to minimize conflict as the grant is made and funds are deployed.

### DELIVERABLES & FEES

A *Gift Agreement Letter* is typically about three pages in length and is signed by the donor and the grantee. Each

party receives a copy. The complexity of *Letters* varies greatly, and the amount of negotiation required to reach an agreement spans a large range. Consequently, it is typical to charge an hourly fee for this service. However, a flat fee will be proposed for clients who require one. Either way, for U.S. grantees, a fee in the range of \$500 to \$2,500 may be expected, plus any out-of-pocket expenses. Grants to international grantees (without a U.S. nonprofit corporation) should not use this product, but rather the firm's international grantmaking services; see, for example, the *Product Preview: Expenditure Responsibility*.

### CONTACT US

For more information on the *Gift Agreement Letter* product, or alternative products and services for committed and reflective philanthropists, please contact us at the address below.

### BENEFITS

- ✓ Convenient reference for both parties to one clear, businesslike record of gift terms and conditions.
- ✓ Expectations of both parties are identified and clarified in advance.
- ✓ Written terms and conditions help ensure project success.

CALVIN EDWARDS  
& COMPANY  
*Maximizing the Good of Giving*

1200 Ashwood Parkway, Suite 140 Atlanta, GA 30338

PHONE 770.395.9425 EMAIL Info@CalvinEdwardsCompany.com