

# When a Gift is Not a Gift

## Handling Problematic In-Kind Donations for Facilities

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**Riddle: When is a gift not a gift? Answer: When you wouldn't have bought it.**

Contributions from the school community are the lifeblood of campus improvement programs. As fundraising is more challenging these days, donors and development officers seek creative ways to support major building projects. One way that is sometimes considered is in-kind donation of goods or services. These gifts can reduce the amount of cash that needs to be raised, and can connect donors emotionally in a way that giving dollars doesn't.

Business officers, especially, understand the perils of relying on donated services and products—it's difficult to hold a donor accountable as you would a vendor. Most products require an accompanying service, such as installation or assembly, or warranty coverage after the sale. To the extent the gift is backed by large, reputable, bonded entities and you have all of the same rights as a purchaser, the "gift" IS a gift. Often, though, there's a catch: the product is obsolete, it's only available in "Obnoxious Orange," it requires accommodating design changes that add to the project cost or reduce functionality, or it adds to ongoing maintenance requirements.

Some examples from real projects illustrate how these sometimes-sensitive offers can be handled, to ensure that the gift is not an additional cost or liability.

**Case #1: The Innovative Flooring Product.** An enthusiastic donor is the exclusive distributor of an interesting, but unproven flooring product that is similar to terrazzo. It requires in-place

manager indicates that general contractors are having experiences with the donor's company that show slow response times and failure to pay his suppliers, resulting in mechanic's liens. Your response?

**Case #2: The AV Consultant.**

You seek to have a technology-rich library on a limited budget, but you were resigned to not hiring an independent specialty consultant due to cost. A friend of the school steps forward and offers to donate her services to design and specify technology for the building. Your alternative was to approach equipment vendors and have one or more propose designs, using their equipment. The technology design will involve coordinating with the project's design engineers and require conduits and other infrastructure that has to be done right. The consultant is a parent of two current students, and relishes the opportunity to interact with the head of school in connection with providing this service to the project. How do you handle this situation?

In real life, a business officer with good judgment might advise accepting or rejecting either gift, depending on the circumstances of the school. The school would always rather receive a cash donation and buy the product in a straightforward market transaction. But, we often receive tempting offers that merit consideration—because they are of significant value or are made by someone important.

Some tips for thoughtful evaluation and tactful management of "gifts" from sincere donors:



installation by the donor's own work force, and he offers to provide the floor material and labor pro bono. He wants to honor his family's association with the school, and frankly, he'd like to have a high-profile installation in an independent school. The floor material is beautiful and the architect will cooperatively incorporate it into the design. The project budget didn't anticipate an expensive flooring system like terrazzo and there are many design details required to accommodate this type of product, rather than alternatives like carpet or tile. But it would entirely eliminate the need to raise money for the lobby floor. Diligent research by the project

Put gift acceptance policies in place that prohibit or strictly control conditions of accepting in-kind gifts. As a last resort, this may be the most tactful way of avoiding a gift that complies with specifications but is coming from an unreliable or risky source.

When a gift is offered, engage your architect to provide minimum requirements (specifications, if they've been prepared) and ask the donor to provide details of the offer. Vague offers, such as "we will provide the carpet" or "my company will do the HV AC work at cost" are worth little without details. If the carpet doesn't meet minimum specifications that your architect recommends, you may not want it. Accepting an "at cost" offer from a contractor is a potential land mine—when it's rumored that a specific company has been awarded a project, competition ceases and your ability to evaluate the offer ends. At least go through a round of preliminary bidding, with detailed breakdowns, before asking the general contractor

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to work exclusively with one vendor. Have your project manager check them out, and if your general contractor has been selected, be sure he is supportive and comfortable (and is giving you full budget credit).

Make it clear that the donor will be required to work within the project chain of command. Avoid unusual contracting relationships that shift risk to the school. A donor who is not a team player probably has ulterior motives that don't match your goals.

If s/he doesn't stand up to professional scrutiny and normal project process, her/his "gift" maybe self-serving and not a gift at all.

Perform a risk assessment early, before the project team invests time that is predicated on the gift. Is a large part of your design going to hinge on a specific product?

Do you have alternative sources, if things don't work out? What are the long-term operating implications of the gift vs. what was originally intended? Would you have bought it, if it hadn't been donated? Will your project suffer if the donor doesn't perform in a timely or workmanlike manner, and what is the likelihood of that happening? Are warranty protections backed up by a substantial entity, other than the donor?

Engage your project manager and consultants, so they can be the "bad guys" if the answer is "no." But you can always look for common ground—there may be an alternative that allows you to retain control of your project and still receive some version of the gift originally proposed.

By following these guidelines and your own good judgment, you can set your school up to receive gifts that are true gifts and respectfully steward important donor relationships.

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