
Nonprofit Law Resource Library

Fundraising

No strings attached

This article, by [Ken Hoffman](#), originally appeared in [Third Sector](#) on August 9, 2001.

If you are even looking at this page, you probably make contributions to charities, in a private or professional capacity. I predict you prefer to make restricted contributions - gifts that can only be used for a stated purpose.

Some restrictions will be for capital gifts that become permanent endowments or are used on one-off improvements, such as erecting a new building. The other type of restricted gift is for a particular operating project.

But the truth is that restricted operating gifts - money for only one project and not another - are a waste of everyone's time and energy.

Foundations and trusts are the worst offenders. Their chief joys in life are to work with new people and be tickled by new ideas. Under the banner of buzzwords like venture philanthropy, most grants are made to new projects, awarded for one year, and demand immediate results.

The one purpose not funded is general support for the charity's overall programme.

Individual donors are equally drawn to restricting their gifts. As a result, charities put out special requests for one urgent project or another. Look closely and most of the time you will see exculpatory language that lets them use the money in a broad way. They must. What they cannot afford is to add new expenses just to attract your gift. And yet that is exactly the direction in which they are pushed.

The struggle between donor and charity reflects human nature. Donors prefer to keep control over their money, even after they have given it away. The restricted gift is a means to maintain control. It substitutes the donor's judgment for the experienced, trained professional's.

Charities, to survive, are forced to repackage the same programme year after year to provide the illusion of something new. Another response is flexible accounting. Charities typically adopt a budget for one year. As gifts arrive with restrictions, the charity moves money around internally, shifting the unrestricted income to where it is needed most.

Let me offer an alternative model of philanthropy. Gifts from foundations and individuals should be made, whenever possible, for general operating purposes. The overall effectiveness of charities ought to be measured according to their past record, quality of staff and board, and future plans. Results should be measured over years, not months.

Rather than catering to the donor's sense of importance let income be allocated by the charity's board and staff. Then, a year later, the donors can assess the results and decide whether to make another gift - unrestricted of course. Less fun for donors, but better results for the causes served by charities.