

Accepting gifts, including gifts of securities, for your organization

If your organization is not already a stand-alone legal entity, you should establish an LLC or Corporation to make it so. Here's a [link](#) to a website for the State of Indiana. You may already have the expertise available on your board of directors but we generally advise hiring an attorney to handle the paperwork. That attorney can also act as Registered Agent, a requirement of the State.

If your organization has not already obtained 501(c)3 status as a tax-exempt organization, you should take that step too. Again, someone on your Board may be able to facilitate completion of the IRS Form 1023-EZ or you may wish to return to the attorney's office for assistance. Here's a [link](#) to the IRS website where further information can be found.

Once these steps have been taken, you will be able to legally accept donations (except for the direct transfer of securities) and provide receipts which may be necessary for the donor's tax purposes. However, many donors prefer to make their gifts via a transfer of securities because there are significant tax benefits for doing so. For example, a supporter could donate stock worth \$1500 directly to your organization or the donor could sell the stock, pay the taxes due, then donate \$1200 instead. Which would your agency prefer? It's been our experience that people donate more freely in this manner, so gifts are likely to be larger and more frequent, making these next two steps worth the effort.

First, you will need to open a brokerage account into which transfers can be made. The industry has a system called DTC which makes this as simple as completing a form but there must be a corresponding account in place to accept the transfer.

We suggest you begin by adding language similar to this to your entity's by laws:

Gifts of stocks, bonds or other items of a non-cash nature

Until such time as the Board deems it appropriate to establish an Endowment Fund or Foundation employing professional management to preserve gifts for long term use, no gift of stocks, bonds, mutual funds, real estate or other tangible personal property will be held as an investment but instead be converted to cash.

(The entity's) assets will be held by an institutional custodian such as a brokerage firm or bank trust department. This organization will be instructed to sell all assets when received, notifying (the entity's) Treasurer of the receipt, value received net of commissions and any available information regarding the donor, her or his intent, and/or cost basis.

This language will protect the Treasurer (or other staff or Board member) from having to decide whether to keep the gift to be managed as an investment or sold to provide immediate funds. At some point the Board may choose to develop a long-term giving strategy which usually requires establishment of the foundation/endowment mentioned. At that time, further steps would be required.

Second, the brokerage firm you choose will require a Corporate Resolution to open the account. This document confirms an action taken by the Board, noted in meeting minutes, that a specific individual (often the Treasurer) is empowered to open such an account. This form is signed by someone *other than* the authorized person, often the Secretary. Brokerage firms usually have a form they provide, or here's

a [link](#) to a downloadable form for your use. This is probably not something new, as one was necessary to establish a bank account.

You may have a Board member who is a stockbroker, or you may have a brokerage firm as a supporter. The Board may decide to work with that individual/firm but be aware that most such local offices charge commissions for selling securities. These fees range from \$50 to as much as \$200 per transaction. This obviously reduces the value of the donation, so the Board may prefer to turn to a discount brokerage firm. Accounts with these firms can be set up entirely online and sales commissions are typically much lower – often zero. Here’s a [link](#) to a list of the eleven best online brokers compiled by the NerdWallet website in April of 2021. I see no reason to look beyond the first three since all offer zero commissions.

Once these steps are complete, you can immediately begin soliciting and accepting gifts of appreciated securities. Some organizations place gift directions on their websites, allowing donations without the need for even a phone call or email. Adding a sentence like: *(the organization) is now able to accept donations of stocks, bonds and mutual funds* to all printed material and email & other messages will help get the word out.

In many cases, nonprofit organizations must file a tax return showing the (nontaxable) gain on the sale. To facilitate that, we suggest that your gift instructions include language similar to this:

Please contact (the name & email address of the Treasurer or a staff person) with the name of the stock, the number of shares being transferred and the per share cost basis. This ensures the gift can be properly credited and acknowledged.

Sometimes this information accompanies the transferred gift but including this language will help assist in accurate acknowledgements.

WWA is located in Indiana, so some of the details about business entity formation may differ elsewhere. Please check the website of your Secretary of State for the most accurate information.