

# Donor Recognition: Frequently Asked Questions

---

## Why offer recognition opportunities?

After all, it's a lot of work to establish a recognition program, keep track of the details, negotiate wording with the donor(s), spell all the names correctly, and install and maintain the signage. A decision to provide recognition should be based on the following objectives (in order of importance):

- To deepen the relationship between the donor and the organization by expressing authentic gratitude
- To inspire future donors by highlighting the generosity of past gifts
- To provide a comfortable way to talk with a potential donor about a gift of a specific amount
- To increase the likelihood or—especially—magnitude of gifts

That's right – naming isn't primarily about soliciting bigger gifts, so if that's the motivation for campaign leaders, be sure to manage their expectations and ensure that the first three objectives are considered as the recognition program is developed.

## What's in a name (or a gift, for that matter)

Now that you're ready to honor your donors with tastefully prominent recognition, there are a few boundaries to be established. Will you allow name recognition for commercial entities (and, if so, include their logo on the signage)? Or will you limit this practice to individuals, civic organizations, and foundations? Either practice is fine, but it's important to know the answer before a donor poses the question.

It's also important to specify the kinds of gifts that will be eligible for recognition: generally, one-time gifts or short-term (<5 years) pledges, or occasionally a portion of the pledge may include an irrevocable deferred gift.

Any gift that results in recognition should be documented with a written gift agreement that is signed by both parties. The agreement should identify what is being named and the recognition language that will be used, the gift amount and payment schedule, and the term of the recognition (perpetuity, limited number of years, life of the facility, etc.) and the basis and process for changing or terminating naming rights. Some agreements include a "morality clause" addressing the nonprofit's rights if the donor's behavior or values harm or contradict the nonprofit's mission and values.

## Determining recognition values in capital campaigns

This is probably the most common application of donor recognition: naming spaces within a new facility that is funded—at least partially—through philanthropy (naming of a building itself is a different matter, discussed below). So how do you determine the gift levels that align with various rooms and physical features?

1. Determine who will be consulted. Often this exercise presents a great opportunity to engage campaign volunteers, potential donors, and/or colleagues outside of the development office. You might want to recruit a task force—or simply consult with these stakeholders one-on-one.

2. Collect three essential reference items: the most up-to-date plans for the building or facility, gift chart, and a list of top prospects and their interests/affinity. You may also want to collect recognition practices of other organizations in the community. Although your values shouldn't be dictated by others', quick benchmarking will ensure that your naming opportunities are aligned with donors' experiences elsewhere.
3. Identify the most desirable naming opportunities based on the location, public use, and general appeal of each room or feature. Align each room/feature with the gift ranges on the gift chart—and with key donors' interests if known. Here's a hypothetical example based on a \$50 million gift chart:

Gift level	# of gifts needed	# of recognition opportunities desired	Examples of Donor Recognition
\$10 million	1	1	Building wing, large community gathering area
\$5 million	2	2-3	Lobby, exhibit hall, theatre, auditorium
\$2.5 million	3	2-4	Secondary community rooms, multipurpose rooms, library, main stage
\$1 million	4	3-5	Lecture hall, board room*, gymnasium
\$500,000	6	5-7	Laboratory, administrative or academic suite, secondary performance spaces
\$250,000	8	8+	Board room, studio, garden, café/kitchen, etc.
\$100,000	12	12+	Staff break room*, training rooms, galleries, etc.
And so on	Many	Many	Individual classrooms or patient rooms.

\*these recognition values may be based on the projected value of gifts from the constituency—i.e., the collective amount given by all board members, or all staff members.

4. A few hints:
  - a. Think outside the box—or the building. Will you have outdoor features that could be termed a courtyard or plaza? How about walkways, trails, or drives?
  - b. Imagine “Russian nesting dolls.” For example, each classroom resides in an academic suite, which is in a wing of a building, and all are candidates for donor recognition.
  - c. It's not a hallway, it's a gallery (especially if it will be used by the public and can be decorated with photographs of your clients, branded graphics, or other visuals); it's not a kitchen, it's a nutrition center; etc.

Note that commemorative values are not linked to metrics such as square footage or construction costs. They are based solely on the perceived appeal to donors. Materials that list recognition opportunities should be accompanied with disclaimer language that will clarify the gift such as:

*The values for these naming opportunities are based solely on utility, placement, or perceived appeal and do not necessarily reflect the gift's designated purpose or the actual cost. Donors are encouraged to consider undesignated gifts and/or the least restrictive designation. Plans for the new facility are not final. If alterations are required that affect a commemorative gift, an appropriate substitute will be arranged in consultation with the donor(s). These naming opportunities are for the projected life of the buildings or for a minimum of twenty years. When the time comes to refresh or rebuild the building, current donors will be given the first opportunity to sustain their support at the level that is appropriate at that time. In all instances, donors will receive permanent recognition for their extraordinary support.*

### What about naming a building or entity?

Placing a donor's name on the outside of a building or including it in the name of the organization requires careful consideration.

Naming a building such as a theatre, school, or agency headquarters, should be the result of a transformational gift; one that represents half (or more) of the campaign goal or 20 percent (or more) of the actual cost, whichever is greater. Often, a current gift/pledge is complemented with a deferred gift for maintenance of the facility, representing an additional ten percent of the gift's value. At times, the amount of the gift may be moderated to recognize the donor's lifetime giving or other extraordinary contributions of time or talent.

To adapt the name of an organization—from City Hospital to Jones Healthcare, for example—represents the highest recognition of truly transformational contributions. While there's no typical "amount," a change of this magnitude should be reserved for once-in-generations gifts.

### Donor recognition for endowments and programs

Unlike commemorative recognition in capital campaigns, named endowments and programs do require a consideration of the actual cost. For example, a gift to endow a faculty position needs to produce enough annual revenue to make a meaningful impact on budgeted expenses. At a four percent draw, an endowed gift of \$2.5 million will produce \$100,000 annually.

Few donors are inspired to make a gift that simply replaces annual operating expenses. A named endowment or program should include some marginal increase—such as funding for research or professional development—in addition to the basic costs of personnel or other expenses.

For donors who lack the capacity—or interest—to create a singular endowment for a position or program, many organizations establish field-of-interest funds focusing on general activities such as education, outreach, or research. A donor can make a gift of any amount which is then pooled with the donations of others to create a fund that is large enough to have an impact, and all of the fund's donors can be recognized annually.

## **Implementing the recognition program in fund raising.**

Once the recognition program has been developed, it should be presented to the board in its entirety. With the board's adoption of the program, the campaign team is free to discuss recognition opportunities with donors without seeking board approval each time a gift is received. The naming opportunities created at the beginning of the campaign should be limited to the largest gifts, i.e. \$50,000 or more. Modest opportunities such as bricks or theatre seats can be introduced later on in the campaign.

Many organizations are tempted to produce a marketing piece with all of the naming opportunities or place the list on their website. We advise a more tailored approach. This isn't a shopping list because giving is not "buying." We prefer to share a carefully curated list with each prospect—one that aligns with her or his interests and perceived capacity.

We also encourage organizations to be liberal with recognition. For example, a board member may contribute \$100,000 to the campaign. It is appropriate to offer her individual recognition as well as acknowledge her participation in a collective gift from the board.

## **What do we call it after it's named?**

Will it be the Smith Center? Or the Center for the Arts made possible through the generosity of the Smith family? Either is acceptable (although the former calls for a much larger gift).

Regardless, it's important that an organization activate donor recognition with more than an obscure plaque. When a donor's name is associated with a space, then the name should also be included in invitations to events in that space, wayfinding signage, and in the day-to-day references made by staff members. It takes discipline to change habits from "let's meet in the atrium" to "let's meet in the Johnson Atrium." By honoring donors in this way, an organization strengthens its culture of philanthropy and signals appreciation for contributions.

## **How long should the recognition last?**

Historically, few commemorative gifts had a set term. Courts have interpreted this lack of an end date to mean that the recognition is in perpetuity. More recently, gift agreements have stated that the recognition will remain "for the expected life of the facility, or no less than [fill in the blank] years." Ten to twenty years are common terms, with the donor's name on some sort of centralized plaque in perpetuity thereafter.

Organizations need to be very careful in removing donor's names when a facility is renovated or demolished. When a client gave new donors an opportunity to "name" seats in a renovated auditorium, they created attractive signage in the lobby to commemorate the generosity of the previous generation of donors. Not only did this appease the descendants of those original donors; it also signaled good intent to today's supporters.

## **Philanthropic recognition versus commercial "naming rights"**

The practice of donor recognition has been influenced (for better or worse) by increasing use of "naming rights" in commercial marketing ventures, and the two are often confused.

We're not experts in the calculations and marketing decisions that determine the monetary value of commercial naming rights—and we don't advise our clients to “compete” with that world. If Acme Corporation's primary motivation is for masses to see or hear their name repeatedly, most nonprofit organizations will lose out to the concert arena or professional sports stadium. Some practices that are common in commercial naming, such as time-limited terms, are less common when recognizing charitable donations. That's why we consistently use language such as “donor recognition” or “commemorative opportunities” to convey philanthropic intent.

It's important to establish a different value proposition for philanthropic naming: the alignment with a donor's values and the beneficial impact on shared constituencies. Commercial naming rights are a transaction. Philanthropic recognition is rooted in relationship.

## **Conclusion**

The practice of recognizing donors is a time-honored tradition. While recognition has evolved, the goal of commemorative recognition has remained rooted in the best elements of philanthropy: elevating generosity and celebrating donors who help to build and sustain our nonprofit landscape.

**Do you have questions or something to add? Let's talk.**

**Email us at [info@benefactorgroup.com](mailto:info@benefactorgroup.com) or call 614-437-3000.**