

What Can You Do about a Bounced Donation Check?

What are your options if a donor's check is returned for nonpayment?



Q I'm on the board of a 501(c)(3) nonprofit. A few donors have written donation checks that have been returned by the bank for insufficient funds or were written on a closed account. Since donations are voluntary, we don't need to ask for payment on the check amount. However, may we collect the bank fees that we were charged for the returned check? If so, how do we go about it?

A State laws vary on handling bounced checks. You may want to talk with a knowledgeable lawyer or perhaps your bank on what the rules are in your state.

In most cases, it's a good idea to promptly notify the person whose check has bounced and ask for it to be made good. Put this notice in writing in case you need to pursue collection in court later on.

Simply because the payment was a voluntary gift doesn't mean that you don't have the right to cash the check you were

“State laws vary on handling bounced checks.”

given. You are probably also allowed to add a bad check fee to the payment, the amount of which is often set by state law.

Obviously you don't have to pursue your legal rights to the fullest, but I would let the donor know that the check bounced and ask for a new check and at least your out of pocket costs for the donor's error. It may have been an innocent mistake. If a friendly request doesn't work, you can consider what further you may want to do.

It would be interesting to know whether other organizations have a policy on this. Having a policy in advance always helps to remove the likelihood that the decision will be based on the individuals involved.

Don Kramer, Nonprofit Issues, nonprofitissues.com

How Can You Write a Compelling Query Letter?

Many funders make decisions based on the query letter alone. Be sure you make a good impression.

Q We're applying for a grant, and the funder requires us to write a "letter of inquiry." Can you give us some advice about how to write such a letter?

A First, complete your full proposal. Your query letter should be a summary of your proposal, highlighting your goals, showing how well your project addresses the funder's priorities, and making it easy to see what's engaging about your project.

Some tips:

Keep it brief, no more than two pages. The letter should be roughly 1/4 about your organization and your fit with the funder, 1/4 about the need you plan to meet, 1/4 about the proposed work, and 1/4 about the budget. Make sure the amount you're requesting is easy to locate, perhaps making it boldface.

“Avoid the words “we need.””

Avoid the words “we need.” Focus on the needs of your beneficiaries and community, not your organization's needs.

Stick with active voice (“we will complete”) rather than passive voice (“the project will be completed”).

Use simple, easily understood words. Avoid jargon. Many funders are tired of overused phrases such as “at risk” or anything ending with “-based.”

Let the reader feel your enthusiasm and passion (without overdoing it).

–Susan Howlett & Renee Bourque, authors, Getting Funded (wordandraby.com, susanhowlett.com, brightstarconsultants.com)