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Technology

Donating Used Computers

by *Martin B. Schneiderman*

How many old computers do you and your organization have stored away in a closet, storeroom, or basement? If your answer is "lots" then you're not alone. The computer industry projects that in 2000 U.S. companies and home users will retire over 40 million computers--and this number is expected to grow dramatically in the coming years.

What should you do with your old PCs? Should you sell them, give them directly to a nonprofit, work with an intermediary organization, or let staff members take them home? One thing is for sure--the longer you wait to decide and act, the less valuable the equipment becomes.



Problems with Donations

In 1997 the RAND Critical Technologies Institute report "Computer Donations to Schools" (<http://www.rand.org/publications/DB/DB222/index.html>) identified the key problems that donors and nonprofit organizations face. The report concluded that "Direct donations usually don't work for schools because equipment is often obsolete, incomplete or not in working order." This is a much bigger problem today than most well-intentioned donors realize.

Is it worth giving or is it junk? Many nonprofits report that as many as two-thirds of their donated computers come in non-working condition. Gifts of inoperable hardware are counterproductive for both donors and recipients. Nonprofits need systems that work properly and reliably--they don't have the expertise, time, or resources to troubleshoot and fix broken computers. Make sure that you don't make your computer problem somebody else's problem too.

Rescuing retired computers. In response to this problem, a growing number of companies have been donating used equipment through third-party, nonprofit computer recycling and intermediary organizations. Some

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are small local groups and others have grown to handle thousands of computers worldwide. These organizations can provide a range of services including: computer pickup, refurbishing, loading software, identifying eligible recipient organizations, logistical support, delivery, and providing receipts to satisfy IRS requirements for tax deductions.

Foundation Practices

I've been receiving lots of inquiries lately from grantmakers about this issue. So in August 2000 I conducted an on-line poll of a representative sample of 32 grantmaking organizations. Here's what I learned:

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- | 93 percent of the grantmaking organizations that don't lease their computers donate their computers to a nonprofit organization
- | 78 percent didn't know the name of any organization that can refurbish or help distribute used computers
- | 75 percent don't reformat hard drives to ensure that all data, viruses, and licensed software are removed
- | 66 percent use in-house MIS staff to test and refurbish donated computers
- | 56 percent replace their computers every three years
- | 48 percent did not report removing applications software before computers were donated
- | 38 percent report that they don't check to ensure that all data are removed before giving equipment away
- | 25 percent sell or give used computers to their staff
- | 15 percent provide training along with their donated computers, and
- | 11 percent of those who donate computers get help from an intermediary organization.

Guidelines for Computer Donations

With that information in mind, I've developed the following guidelines for grantmakers who would like to pass on their equipment in a way that is not burdensome to the recipient.

A good rule of thumb. How do you decide what to do with those used computers? Sell after two years, donate after three, and be prepared to pay disposal costs after four.

Dump that data. Many organizations think they've erased all data files on their computers before giving them away. However, this is often not the case. Using one of many commonly available programs, any non-techie can easily unerase all of the "deleted" files and gain access to confidential documents, spreadsheets and e-mail messages and see all the Web sites you've browsed in the past month. The best approach is to reformat the hard drive and reinstall the operating system.

Software licensing issues. Forty-eight percent of the survey respondents reported that they didn't erase applications software. One donor said, "We just pass the licensed application software on to whoever takes the computer." This is a violation of the non-transferable terms of almost all software licensing agreements. This is cited in the small print that your organization agreed to when the shrink-wrap was broken and when someone pressed the "I Agree" button during the installation process. Some nonprofits are surprised to learn that the computers they receive come with no software. Many software vendors have special programs to provide the latest version their products to schools and other nonprofits at

low cost.

When to look the gift horse in the mouth. Savvy nonprofits have established policies to only accept complete computer systems that are in working order. They specify a minimum configuration that can realistically run the applications software that they use. This is now likely to be at least a Windows Pentium 75 with 32mb RAM or a Power Macintosh with 8mb RAM. Some will accept older computers but probably not for much longer. Computers with CD-ROM drives are preferred since most software is now distributed this way. It's also best to standardize on either Windows PCs or Macintosh computers--accepting and supporting multiple platforms and operating systems is very costly.

But is it a sound financial decision? Businesses figured out long ago that the total cost of ownership (TCO) of a computer over its lifetime far exceeds the cost of the hardware alone. The big expenses are for software, system migration, technical support, maintenance, and staff training. When this is all taken into account, some nonprofits find that accepting donated computers may not be their best financial decision.

Martin Cohen, executive director of the Washington Ballet, says, "We're very grateful for all the donated computers we've received in the past. But we've found that to run our standard office applications software and to access our shared database our PCs need to have at least a Pentium II 233mhz processor. We usually need to add additional memory and a network card to our donated computers, at about \$300 each. We've ended up with a mix of many different kinds of older and slower computers that are costly to support and will soon need to be replaced again. In the future we'll probably consider buying new computers now that the prices have dropped."

Just three years ago a refurbished, donated used computer cost about one-third the price of an equivalent new machine. But this is no longer true. Today you can buy a new multimedia PC for as little as \$800. These come with a fast 600+mhz processor, 7.5gb hard drive, 64mb RAM, CD-ROM drive, network card, 15" color monitor, the latest operating system, bundled software, manuals, phone support, and a three-year warranty.

Self-dealing. Federal statutes prohibit a private foundation from entering into any financial transaction with certain related parties. These "disqualified persons" include officers, directors, and employees with authority to act on behalf of the foundation. Therefore, the sale, exchange or leasing of property (such as a computer) between a foundation and a disqualified person is prohibited self-dealing, regardless of how "fair" the terms are to the foundation. If you have any questions about whether an individual is a disqualified person, you should check with your tax advisor.

Tax implications. For individuals, the charitable deduction for contributions of personal property is generally limited to the fair market value (retail used value in the current market place) of the donated property. For corporate donors, tax deductions are usually limited to the amount of the donor's tax basis in the property contributed. Shipping costs are also tax deductible under applicable rules and regulations. In practice, this means that by the time most three-year-old computers are donated they have very little deductible value.

Don't forget training. What good is a computer if the recipient doesn't know how to use it effectively? This is one of the biggest problems that

nonprofits face. Greg McMillen, information technology director of the Central Indiana Community Foundation (www.cicf.org) says that, in addition to donating used computers, "We've provided funding for a regional training center and established a nonprofit cooperative that has purchased training in bulk at a savings of over 60 percent. In the past year over 1,600 nonprofit staff members have attended courses."

Where to Get Help

Survey respondents recommended the following organizations for help in testing, refurbishing and donating used computers, as well as several generic resources you'd likely be able to find in your area. They are:

- | Association of Personal Computer User Groups (www.apcug.org), which represents over 400 user groups and 300,000 members worldwide who support local charities and educational organizations.
- | Computer Reclamation Inc. (www.crtc.org) donates computers to nonprofit organizations in the metro Washington, D.C. area.
- | Computers & Education and Computer Recycling Center (www.crc.org/)
- | Computers for Schools (www.pcsforschools.org) has placed more than 37,000 computers in California schools and is currently expanding nationally
- | GIFTS in Kind International (www.giftsinkind.org) has donated over 32,000 computers from 3,720 donors in the past two years.
- | National Cristina Foundation (www.cristina.org) provides computer technology and solutions for people with disabilities, students at risk, and the economically disadvantaged. (Their motto: "Machines you can write off. People you can't.")
- | Per Scholas (www.perscholas.org), a nonprofit founded by a consortium of 40 foundations and corporations to provide computers to schools and other not-for-profits at the lowest possible cost.
- | Corporate volunteer staff and retiree groups.
- | Community college technology classes.
- | Volunteer centers and local community service organizations.

Resources for this article:

- | [**If you give or sell used computers to staff, what support do you provide?**](#)
- | [**What foundations do with their used computers**](#)
- | [**Frequency of computer replacement**](#)
- | [**Who refurbishes used computers before donation**](#)

Martin B. Schneiderman is president of Information Age Associates, Inc., (www.iaa.com), a firm specializing in the design, management, and support of information systems for grantmakers and nonprofits. He can be reached at mbs@iaa.com.

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