

Proactive Policies for Large Gifts

Bigger Doesn't Necessarily Mean Better

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The ALS Association has recently generated significant donations from the “ice bucket challenge” where individuals can (or not) dump a bucket of ice water over their heads to raise money to fight Lou Gehrig’s disease. This will most likely create a short-term, very substantial increase in contribution revenue for the organization. This could be considered a “windfall” for the organization.

Windfall Policy

Nonprofit organizations will sometimes have “windfall” policies in place to document a specific process the organization must follow when a large gift is received. The large gift could be similar to something like the ice bucket challenge donations. It could also be a sizeable bequest or just a one-time very generous donation. A Board of Directors may choose to plan in advance for the use of these types of large and unusual donations to avoid frivolous spending of the funds when received and/or to reserve the funds in some way. A windfall policy should designate a threshold amount, where amounts greater than the threshold are subject to the policy. The policy should also identify the types of donations that would qualify as a “windfall”. For example, does a popular social media campaign that ends up generating considerable amounts of funds qualify as a windfall? The policy should also describe the requirements for the funds which may include setting up a board designated endowment or a reserve, or it may require a transfer of the funds to a supporting organization to be held in an investment pool.

Gift Acceptance Policy

Cash is obviously a very desirable form of contribution, but nonprofits also are the recipients of other non-cash donations. Organizations may be inclined to always accept whatever non-cash gift is donated to them in the interest of maintaining a solid relationship with the donor. But this may not always be advantageous to the nonprofit. For example, does the organization really want a timeshare that is difficult to sell and requires annual maintenance costs? Or bags of used clothing when they aren’t in the business of distributing clothing to beneficiaries? Or a piece of land in a remote area that used to have a gas station on it? Donations such as these could result in more costs than revenue. But if the organization has a gift acceptance policy in place, the communication with the donor rejecting the donation could be much easier if the donation can’t be accepted according to the written policy.

A gift acceptance policy may include the following components:

- A description of the types of donations that would be subject to the policy
- What types of donations require a review and discussion of the Board or a committee (versus a management official) before acceptance
- A description of the types of donations that are *not* to be accepted
- Requirement for various considerations such as costs involved, who the donor is, and whether the donated item can be used in programs or distributed to a beneficiary of a program
- Policy for donations of investments (Is there an investment account that will be used? Will the investment be sold and immediately converted to cash? What types of investments will be accepted?)
- Description of how restrictions are handled/discussed

A windfall policy and a gift acceptance policy should both be considered for implementation for many nonprofit organizations. These proactive policies help to ensure that the Board of Directors is meeting their fiduciary responsibilities with the Organization's funds.

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