

HOW TO SUCCESSFULLY MANAGE A WINDFALL GIFT

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A windfall gift is an unrestricted gift that is significantly large or unexpected. Over time, almost every nonprofit organization will receive one or more windfall gifts. Yet, too many organizations are unprepared when they receive a gift that exceeds not only their budgeted fundraising goal but perhaps their budgeted annual expenses. By creating a windfall policy, the nonprofit can establish a longer-term vision for such a gift rather than react to only the immediate needs of the nonprofit.

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What is a Windfall Policy?

A Windfall Policy addresses an unrestricted gift that exceeds a certain threshold. The gift can be a major outright gift made by a donor or a bequest received after the death of a donor.

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What your Windfall Policy Should Do

- Define a threshold amount for the policy to be in effect
- Define how funds will be allocated
- Acknowledge that an unrestricted gift under the threshold amount may be used as needed to meet the current or future needs of the organization and consistent with the mission of the organization
- Acknowledge that a donor's restricted gift will be put to use as designated by the donor
- Give donors confidence that the organization's leadership is capable of properly stewarding unrestricted transformational gifts
- Be as specific as needed

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Benefits of a Windfall Policy

- Recognizes the responsibility of the board and executive staff to make appropriate decisions regarding the use of unrestricted funds
- Gives staff direction without board guidance at each occurrence
- Eliminates the "make-a-policy-as-needed" approach
- Strengthens the gift-administration process
- Allows staff and the board to work through practical issues associated with short-term needs and the mission of the organization
- Provides for the long-term goals of the nonprofit organization

CASE STUDY

A small private school has an annual budget of \$6 million. Alumni, current parents and supporters of the School contribute roughly \$250,000 on an annual basis. The long-term goals are to grow the Endowment, however, the Board would also like to increase tuition assistance offered to its students. The Finance Staff proposes to the Board the creation of a Windfall Policy with a threshold amount of 4% of the annual budget.

Once a threshold amount is established, the allocation of the unrestricted gift can be deployed pursuant to the policy. In this case, the Board has determined that:

- 10% will be allocated to the current fiscal year's operating budget
- 40% will be allocated to the Scholarship Fund for need-based students
- 50% will be formally designated as a contribution to the existing Endowment Fund

Note: This is a hypothetical scenario.

Each nonprofit's gift acceptance policy is unique, as is each nonprofit's windfall policy. Start with something simple, broad and brief. Review it annually and refine as needed with board approval.

A windfall gift to Nonprofit ABC is defined as any unrestricted gift that represents more than X% of its annual operating budget. If Nonprofit ABC receives a windfall gift, it will (a) designate Y% for general operating expenses; and (b) place the remainder of the windfall gift into a reserve account.

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