

Sample Policy: Donor-Initiated Fundraising¹

Thank you for expressing your confidence in _____ Community Foundation by establishing a fund with us. The foundation is pleased to work with you in helping to develop your fund. The chief responsibility of the foundation's development office is to raise endowment through acquisition of major and planned gifts. Unfortunately, the foundation does not have the staff to operate public fundraising events for its component funds.

In establishing a fund at the foundation, there may be times when you would like to organize a fundraiser to raise dollars for the fund. Most often the foundation receives the net income from a fundraiser and does not acknowledge the individual contributors. However, there may be times when individual contributors to a fundraiser would want to receive a charitable deduction. The foundation has developed this policy statement to help guide those of you planning fundraising events and solicitations (fundraising groups).

When fundraising groups conduct fundraising activities and solicitations on behalf of the foundation's component funds, you must keep in mind that for tax purposes such fundraising is being done on the foundation's behalf. This raises a number of significant tax and accounting issues. For example, activities must be conducted under the foundation's observation and fiscal guidance to ensure that donors to the fund are entitled to the appropriate tax deductions, to protect the fundraising groups from unintended tax consequences to themselves, and to determine that the foundation is not exposed to penalties for failing to make required solicitation disclosures.

The requirements that follow are designed to protect donors and groups raising funds for a component fund at the foundation. We appreciate your cooperation in fulfilling these requirements.

Foundation Approval of Events

¹ Based on a policy created by the Dade Community Foundation and reproduced in Appendix 3 of the Council on Foundations publication, *Donor-initiated Fundraising* (2d ed. 2006)

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All public fundraising events require advance written approval from the foundation. Before undertaking any such event, the fundraising group must submit a written proposal that includes the following information:

- **Description:** Describe the event or other effort to raise money for the fund. Briefly outline the fundraising goal, the activities of the event, your experience in conducting this type of campaign or event and why the activity is sure to be a success.
- **Contact person:** This person will serve as the main source of communication between the foundation and the fundraising group. Please supply the contact person's name, address, phone number, and e-mail address. This will help facilitate the approval and acknowledgement processes.
- **Budget:** Attach an estimated budget for the fundraiser that includes projected revenue and a detailed list of projected expenses.

Please allow at least 30 days for foundation review. If the event is approved, the fundraising group will proceed in accordance with the foundation's guidelines. All uses of the foundation's name in advertising and promotion must be approved in advance by the foundation. All fundraising materials should make clear, where applicable, that funds are being raised on *behalf of* rather than *by* the foundation. The foundation may assess an administrative fee against the fund to defray the cost of additional services required by the fundraising event or solicitation.

You are not authorized to bind the foundation to any contract or agreement unless specifically authorized in writing.

The Foundation's Responsibilities

The foundation will be responsible for:

- The management of such money and property as it may accept into the component fund from donors, other contributors and sources.
- The application of principal and income to charitable uses, all in accord with the foundation's governing documents.
- Providing appropriate acknowledgements to donors.

The Fundraising Group's Responsibilities

The fundraising group will retain responsibility for all public fundraising events and matters related to them, including:

- Payment of all costs and expenses
- Compliance with laws

- Reporting and other requirements of every kind such as licensing, tax payment, and liability insurance covering the foundation

Payment of Expenses

The fundraising group will be responsible for all expenses and will maintain appropriate financial controls and records related to fundraising events. Expenses may be incurred only in accordance with the event budget that the foundation has approved. Prior to the event we will discuss with you whether the expenses will be paid by the foundation or by the group. Regardless of who pays the expenses, you must provide copies of invoices and receipts to the foundation so that we may fulfill our record keeping and reporting responsibilities. Keep in mind that if the fund in question is a donor advised fund, the foundation cannot provide reimbursement of expenses to the fund's donors, advisors, and related persons. Where appropriate, the foundation can provide tax acknowledgements allowing donors to deduct reasonable expenses incurred in connection with the fundraiser.

Designation of Checks and Receipt of Cash

Checks related to the event must be made payable to the component fund of the foundation. Cash receipts are to be deposited intact. That is, cash receipts may not be used to pay expenses, and then the net cash amount deposited. Within one week after the event, all proceeds, checks and cash, must be delivered to the foundation along with an accounting of all monies received.

Tax Requirements and Acknowledgements

Strict IRS requirements and state charitable solicitation laws impact any fundraising. If the steps outlined below are not taken, donors will be denied a tax deduction, members of the fundraising group might unexpectedly find themselves subject to tax on the funds they raise, and either the foundation or the fundraising group might be subjected to penalties.

Donors who contribute \$250 or more will need a written acknowledgement from the foundation in order to claim a charitable deduction for the gift. The foundation will provide the appropriate acknowledgement to donors only if it receives certain detailed information. Specifically, the fundraising group must provide the foundation with:

1. The donor's complete name and address.
2. The date and amount of the contribution.
3. Whether the contribution was in cash or property.
4. If property, a description of the type of property and a good faith estimate of its fair market value.

5. A detailed description of any goods and services provided in exchange for the contribution.

Contributions of services, while appreciated, generally are not deductible.

If the fundraising group provides goods or services in exchange for a donation, certain disclosures are required. For example, if the group is sponsoring a dinner, the donor can only deduct the excess of the ticket price above the fair market value of the dinner. This limitation on the deduction, known as a “quid pro quo disclosure” must be disclosed at the time of solicitation. Disclosure on the event ticket is a typical method for making this disclosure.

The foundation will work with the fundraising group in determining the fair market value amounts and the appropriate disclosure language for the event. However, the foundation will have to work with the group prior to the solicitation activity and will need information pertaining to the event such as ticket prices and the value of the goods or services the donors will receive.

The fundraising group needs to see that the required quid pro quo disclosures are made.

- **Raffle tickets** are not deductible. This must be stated clearly on the face of distributed tickets.
- **Rummage sale purchases** are not deductible.
- **Auctions**—Foundation staff will review proposed ideas for auctions on a case-by-case basis and may seek the assistance of its legal counsel in doing so.

Liability Insurance and Liability for Losses

The fundraising group will contact the foundation prior to the event to assess the need to secure liability insurance covering members of the group and covering the foundation. Insurance coverage must be reviewed and approved by the foundation.

The fundraising group will be responsible for all losses incurred by the event. The foundation will not be held responsible for such losses. The foundation may require the fundraising group to purchase a letter of credit or provide a written personal guarantee.

State Charitable Solicitation Laws

<p>If the state does not regulate charitable solicitations, omit this paragraph. If there is a law governing charitable solicitations, include any information required to be disclosed at the event or point of solicitation.</p>
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Attachment 1

_____ **Foundation Fundraising Application**

Fund Name _____

Name of Fundraising Event _____ Date of Event _____

Describe the fundraising event (include a detailed description of activities that will happen at the event, number of participants expected, the groups experience in this type of fundraising and any other information that will help us support your effort.)

Fundraising Goal \$ _____ (This is the *net* amount of money that you hope to raise.)

Contact person: _____ E-mail _____

Address _____ Phone (home) _____

_____ (work) _____

Best place and time to be contacted:

Attach an estimated budget including projected gross revenue from identified sources and projected expenses with name of vendor.

I (We) agree to use all disclosures as instructed by the Community Foundation, to review all printed and promotional material with the Community Foundation staff before distribution and to submit detailed donor records along with all fundraiser proceeds and invoices.

Signature _____ Date _____

Signature _____ Date _____

Name (if different than contact person) _____

Attachment 2

Estimated Budget

Fund Name _____

Name of Fundraising Event _____

Submitted by _____ Date of Event _____

Total Estimated Gross Revenue \$ _____

Please show how you arrived at this number. For example:

100 golfers @	\$100	\$10,000
100 raffle tickets @	\$1	\$100
10 sponsors @	\$1,000	\$10,000
Miscellaneous donations		\$250
TOTAL		\$20,350.00

Total Estimated Expenses \$ _____

Please provide cost of item and vendor. Include donated items: For example:

Expense Item	Vendor	Cost
100 rounds of golf @ \$62.50	Community Golf Club	\$6,250
75 dinners @ \$50.00	Community Golf Club	\$3,750
Brochure Printing	Copy Center	\$500
Postage		\$35
Door Prizes	Donated	\$0
5 awards for top teams		\$500
Foundation administrative fee		\$500
TOTAL		\$11,535.00

Fundraising Goal (Gross Revenue minus Expenses) \$ _____

