

Donor and Affiliate Initiated Fundraising for Component Funds

Approved May 18, 2021

There may be times when you would like to organize a fundraiser to benefit your Fund. While we provide the charitable tools and fund administration to promote giving, the Quad Cities Community Foundation does not organize or operate fundraising events to benefit individual funds. **The Fundraising Group is advised against operating fundraisers, as they raise significant legal, tax, and accounting issues.**

The IRS has strict requirements that impact any fundraising. **We caution that fundraising events and activities are liabilities that put the Fundraising Group, Donors, and the Quad Cities Community Foundation at serious risk** – donors may be denied an income tax deduction, the Fundraising Group might find itself unexpectedly subjected to tax on the funds they raise, and the Community Foundation and/or the Fundraising Group may be subjected to penalties. Any tax and/or penalties assessed on the Community Foundation due to a fundraising event will be the responsibility of the Fundraising Group.

Before you decide if your Fundraising Group should move forward, we suggest you review the Financial Accounting Standards Board (FASB) Standard No. 136 and IRS Publication 526, Charitable Contributions, then conduct a thorough review of your plan in coordination with the Community Foundation to discuss the Fundraising Group's compliance with all applicable IRS and State laws and regulations regarding solicitation, acknowledgement, and tax deductibility of gifts. The Fundraising Group must ensure that the Community Foundation is not exposed to any legal risks, including penalties for failing to make required solicitation disclosures during fundraising activities.

If you choose to fundraise despite our caution, we strongly encourage you to establish a partnership with a registered 501(c)(3) nonprofit organization that is approved by the IRS to receive charitable gifts, with proceeds to benefit a Fund at the Community Foundation.

We reserve the right to refuse any assets that have been raised in violation of this policy. See the following pages for more information on fundraising events or solicitations by a Fundraising Group.

1. Fundraising Scenarios

Fundraising can occur in a variety of forms. These guidelines cover, but are not limited to, the following fundraising scenarios:

- A. Direct, tax deductible gifts to a Fund at the Community Foundation,
- B. Independent fundraising event or solicitation by a 501(c)(3) organization with proceeds to benefit a Fund at the Community Foundation,
- C. Independent fundraising by an individual or group (not a 501(c)(3)) for which donors are not offered a tax deduction, and
- D. Independent fundraising by an individual or group (not a 501(c)(3)) conducted on behalf of a Fund where the event and budget are approved by the Community Foundation prior to the event and the possibility of a tax deduction for the donor exists.

The requirements that follow are designed to help those planning fundraising events and solicitations.

A. Direct, tax deductible gifts to a Fund at the Community Foundation

You may promote your Fund through various forms of passive marketing including brochures, website, information sessions, or a request of money through an appeal letter. See Section 4 for marketing and approval guidelines.

In response to those marketing efforts, a donor may make a gift directly to the Fund. In that case, donors must make their check payable to the “Quad Cities Community Foundation” with the name of the Fund in the memo line and send the check directly to the Community Foundation. The Community Foundation can also directly accept gifts of cash, online credit card donations, securities, and complex gifts. The donor will receive a gift acknowledgement letter from the Community Foundation indicating that the gift is tax deductible. All gifts and fund activity can be viewed online through MyFund.

B. Independent fundraising event or solicitation by a 501(c)(3) organization with proceeds to benefit a Fund at the Community Foundation

You may make a gift of the proceeds from the event or solicitation that is sponsored by a 501(c)(3) organization which has a Fund at the Community Foundation for the benefit of the purpose of the Fund.

Organizations with their own 501(c)(3) status may sponsor a fundraising event or solicitation promoting their own organization or cause and deposit the net proceeds into the organization’s Fund at the Community Foundation. In these cases the proper language in publicity and event materials is “Proceeds from today’s event will be donated by [Sponsoring Organization] to the Quad Cities Community Foundation for the [Name of Fund].” The sponsoring organization will issue its own tax receipts to donors because the organization has its own charitable tax-exempt status and accepted the gift from the donor. In cases where gifts are sent directly to

the Community Foundation, the Community Foundation will send a gift acknowledgement from the Community Foundation indicating the gift is tax deductible. All gifts and Fund activity can be viewed online through MyFund. The Fundraising Group is responsible for obtaining and paying for any necessary insurance, permits, licenses, or other expenses related to the event or solicitation.

Sponsoring organizations must ensure compliance with all applicable IRS and State laws and regulations regarding solicitation, acknowledgement, and tax deductibility of gifts.

C. Independent fundraising by an individual or group (not a 501(c)(3)) for which donors are not offered a tax deduction

You may make a gift to the Fund from the proceeds of an event/solicitation for which donors were not offered a charitable tax deduction.

Fundraising may be conducted by an individual, a group of people, or an organization that plan to donate the proceeds to a Fund at the Community Foundation. Generally, the person or group that plans and executes the fundraiser (for example: dinner; golf tournaments; walk-a-thons; sales of products or services; requests for money from individuals or organizations through mailings, advertisements, or oral solicitations) makes one lump sum donation (net of expenses) to the Fund. Unless the event is sponsored by a qualified charitable organization which accepts and acknowledges the contributions, the donor may not take a charitable tax deduction for the contribution. The Community Foundation will not acknowledge the individual contributors.

Guidelines applicable to non-tax-deductible fundraising:

- The Fundraising Group that plans and executes a fundraising event must state that the net proceeds will benefit the purpose of the Fund.
- The Fundraising Group may not use the Community Foundation's tax-exempt number in connection with the event. Individual contributions made as a result of an event/solicitation will not qualify as a tax deductible charitable gift to the Community Foundation.
- The Fundraising Group is responsible for obtaining and paying for any necessary insurance, permits, licenses, approvals, etc. Events or activities that include raffles or other games of chance are regulated by state and local governments and must be specifically reviewed and authorized by the appropriate branch of government.
- Fundraising events often require certificates of insurance or signed contracts. When events are sponsored independently of the Community Foundation, the name of the Community Foundation or the Fund name must not appear on any contract or agreement.
- Individual participants in the event (ticket purchasers, sponsors, golf players, etc.) make their payments to the organizing individual or group, not to the Community Foundation or the Fund. The Fundraising Group may record the contributor's name and address to provide a courtesy acknowledgement. The acknowledgement may not include any language stating that the letter serves as an official receipt for IRS purposes or include any reference to tax deductibility.

- The Fundraising Group will pay all expenses and send the net proceeds of the fundraiser to the Community Foundation for the benefit of the Fund. The Community Foundation will record the gift as coming from unnamed third-party donors. Please note that the Community Foundation is prohibited by law from reimbursing the event organizers for its expenses, therefore, the group must deduct its expenses before sending the net proceeds to the Community Foundation.

D. Independent fundraising by an individual or group (not a 501(c)(3)) conducted on behalf of a Fund where the event and budget are approved by the Community Foundation prior to the event and the possibility of a tax deduction for the donor exists.

When Fundraising Groups conduct fundraising activities and solicitations to grow a Community Foundation Fund, the fundraising is being done on the Community Foundation's behalf. This raises significant legal, tax, and accounting issues. Activities must be conducted under the Community 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 consequences to themselves, and to ensure that the Community Foundation is not exposed to any legal risks, including penalties for failing to make required solicitation disclosures.

Before undertaking fundraising events, the Fundraising Group must submit a written proposal and obtain advance approval from the Community Foundation. The proposal will define each program, event, or other effort to raise money for the Fund. If approved, the Fundraising Group may proceed according to the Community Foundation's guidelines.

All uses of the Community Foundation's name in advertising and promotion must be approved in advance by the Community Foundation. No invitations or media announcements can be sent prior to approval. All fundraising materials should make clear, where applicable, that funds are being raised *on behalf of* rather than *by* the Community Foundation. An administrative fee may be charged if extra services will need to be expended by the Community Foundation.

2. Responsibilities of the Fundraising Group

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

- Presentation of a plan to the Community Foundation prior to the event for pre-approval and adherence to the plan to implement the event;
- Payment of all costs and expenses;
- Reporting all fundraising expenses are submitted to the Community Foundation;
- Maintaining appropriate financial controls and records related to fundraising expenses;
- Compliance with all relevant state, local, and federal laws;
- Liability insurance and any applicable licensing; and
- Reporting to the Community Foundation, as required by the approved proposal.

3. Responsibilities of the Quad Cities Community Foundation

The responsibility of the Community Foundation will be for:

- Management of such money and property as it may accept into the component fund from Donors, other contributors or sources;
- Application of income and principal to charitable uses, all in accordance with the governing documents of the Community Foundation; and
- Providing acknowledgments to Donors with appropriate tax information where appropriate.

4. Community Foundation Advance Approval of Events and Solicitation Materials

Before undertaking public fundraising events, the Fundraising Group will seek approval from the Community Foundation. You must allow at least 60 days for the Community Foundation's review and receive approval before announcing the fundraiser.

If the event is approved, an agreement will be created based on the submitted information and the Fundraising Group will proceed in accordance with the Community Foundation's guidelines. All uses of the Community Foundation's name in advertising and promotion must be approved in advance by the Community Foundation. No invitations or media announcements can be sent prior to approval. All fundraising materials should make clear, where applicable, that funds are being raised *by the Fundraising Group* and proceeds will *benefit a Fund*.

The Community Foundation may assess an administrative fee against the fund to defray the cost of additional staff services required to accommodate the fundraising event or solicitation. No entity is authorized to bind or name the Community Foundation to any contract or agreement unless specifically authorized in writing.

In accordance with Financial Accounting Standards Board (FASB) No. 136, it is recommended that all fundraising materials clearly establish donor intent to contribute and acknowledge the variance power of the Community Foundation. Accordingly, fundraising material must:

- **Inform the prospective donor that your agency fund is a fund of the Community Foundation.** *Sample Language: "The <Fund Name> is an endowment fund of the Quad Cities Community Foundation. Your gift will be invested, and the investment returns will be distributed to <Organization> in accordance with the Quad Cities Community Foundation's Policies."*

5. Payment of Expenses

The Fundraising Group will establish a budget for submission to the Community Foundation prior to all events. In accordance with IRS regulations, the Community Foundation is prohibited from reimbursing expenses to a donor, advisor, or related party from a donor advised fund. The Fundraising Group will be responsible for all expenses and appropriate financial controls and records related to fundraising events. The budget and how expenses will be paid must be discussed prior to the event. Regardless of who pays for expenses, copies of invoices and receipts must be provided to the Community Foundation for our records. Expenses cannot be paid from a donor advised fund.

6. Designation of Checks, Receipt of Cash

Incoming checks related to the event must be made payable to the Quad Cities Community Foundation, with the name of the Fund in the memo line. Cash receipts are to be sent to the Community Foundation intact and any cash received may not be used to pay expenses by the Fundraising Group. That is, the Fundraising Group must not use cash receipts to pay expenses, and then deposit the net amount. All proceeds, checks and cash, must be delivered to the Community Foundation along with an accounting of all monies received within one week after the fundraising event.

7. Tax Requirements and Acknowledgements

The IRS has strict requirements that impact fundraising. If the steps outlined below are not taken: Donors may be denied an income tax deduction, the Fundraising Group might find itself unexpectedly subjected to tax on the funds they raise, and either the Community Foundation or the Fundraising Group may be subjected to penalties. Any tax and/or penalties assessed on the Community Foundation due to the fundraising event will be the responsibility of the Fundraising Group.

Donors who contribute \$250 or more need a written acknowledgment from the Community Foundation in order to claim a tax deduction for the contribution. The Community Foundation will provide the appropriate acknowledgment to the Donors. The Fundraising Group must provide the Community Foundation with:

- A. The Donor's complete name and address;
- B. The date and amount of the contribution;
- C. Whether the contribution was in cash or property;
- D. If property, a description of the type of property and a good faith estimate of the fair market value; and
 - a. A description and the value of any goods and services provided in exchange for the contribution.

Contributions of services, while appreciated, are not tax deductible charitable gifts. If the Fundraising Group provides goods or services in exchange for a donation, certain disclosures are required to be made upon solicitation. For example, if the Fundraising Group is sponsoring a dinner, the donor can only deduct the excess of the ticket price above the fair market value of the dinner (not the actual cost of the food, which could be less), in accordance with IRS Pub. 526, Charitable Contributions. This limitation on the deduction, known as a “quid pro quo disclosure,” must be disclosed at the time of solicitation. Disclosure of the fair market value on an event ticket or in an event program is a typical method for making this disclosure.

The Community Foundation can assist the Fundraising Group in determining the fair market value amounts and the appropriate disclosure language for the event. However, the Community Foundation will have to work with the Fundraising Group 60 days prior to the solicitation activity and will need information pertaining to the event such as the ticket prices and the values of the goods or services donors are to receive. *The Fundraising Group is responsible for providing the required quid pro quo disclosures information to the Community Foundation.*

Raffle Tickets are not tax-deductible, regardless of whether or not the participant wins the raffle. This must be stated clearly on the face of the distributed tickets. The Fundraising Group must obtain proper local and state licenses for any gambling activities and copy of which must be provided to the Community Foundation in advance of the event. A raffle may also be subject to sales tax.

Rummage Sale purchases are not tax deductible.

Auctions on a case-by-case basis, the Community Foundation will review proposed ideas for an auction. At that time, tax deductibility of items will be determined based on IRS regulations.

8. Liability Insurance and Liability for Losses

The Fundraising Group will contact the Community Foundation prior to having a fundraising event to assess the need to secure liability insurance. Insurance coverage must be reviewed and approved by the Community Foundation. The Fundraising Group will provide the Community Foundation a certificate of insurance and the Community Foundation will be listed as an additional insured.

The Fundraising Group will be responsible for all losses incurred by events. The Community Foundation will not be held responsible for such losses. The Community Foundation may require the Fundraising Group to provide assurances of financial responsibility, open a line of credit, or provide a written personal guarantee prior to event sponsorship.

Please complete 30 days prior to event

Location/County _____ Event Date _____

Fund for Proceeds and Expenses _____

Name of Event _____

Event Contact Person _____

Event Purpose _____

Date	Description of Income	Anticipated Income	Actual Income
Total Income			

Date	Description of Expenses	Anticipated Expenses	Actual Expenses
	Rent/Facility Costs		
	Food and Beverages		
	Entertainment		
	Other Direct Costs (invitations, printing, postage, etc.)		
	Cash Prizes		
	Non-Cash Prizes		
Total Expenses			
Net Proceeds from Event			

Please complete this sheet and forward it to the Quad Cities Community Foundation as soon as you decided to go forward with a fundraising event. Please call a Development Team member at 563/326-2840 if you have questions.

This form was designed to help you with your event process. The information gathered on this form is a reporting requirement for the completion of QCCF Federal 990 form.

