

Mt. Pleasant Area

community foundationSM

POLICY: DONOR INITIATED FUNDRAISING POLICIES AND PROCEDURES

Related Policies: Gift Acceptance Policy; Gift Acknowledgement Policy

Status: Approved December 13, 2012

Purpose

The purpose of these policies and procedures is to ensure that donors to a fund are entitled to the appropriate tax deductions, to protect fundraising groups from unintended tax consequences, and to ensure that the Mt. Pleasant Area Community Foundation (MPACF) is not exposed to potential penalties or unnecessary liability. These policies and procedures have been developed to help assure a successful outcome for both fundraising groups and MPACF, to maintain public confidence in our organization, and to ensure that all federal, state, and local legal requirements are met. Further, these policies and procedures promote the organization's compliance with National Standards for Community Foundations. MPACF does not have adequate staffing to conduct fundraising events for individual funds, but must be involved when public fundraising occurs to ensure the above purposes can be carried out. When individuals or fundraising groups conduct fundraising activities and solicitations on behalf of component funds at MPACF, they must keep in mind that such fundraising is being done on behalf of the Mt. Pleasant Area Community Foundation. These policies and procedures outline the requirements for any fundraising activity benefiting a component fund(s) of MPACF.

Passive Fundraising

Passive fundraising usually results in direct, tax-deductible donations to the fund. This activity still must meet some legal requirements. MPACF staff and board are equipped to help with passive fundraising, and the following guidelines are designed to explain what is permissible and to clarify the role of the Foundation.

Donors and fundraising groups may promote a fund through various forms of "passive" marketing in the name of a fund through, for example, brochures, posters, informational sessions, or a request for donations through an appeal letter to friends and associates. In response to those marketing efforts, a donor may make a gift directly to the fund. In this case, a check should be made payable directly to the Mt. Pleasant Area Community Foundation (MPACF) for the fund and be sent directly to the Foundation. Gifts of appreciated assets made directly to MPACF are also acceptable. Donors will receive gift acknowledgement letters from MPACF indicating that their gifts are tax deductible. Fund representatives will be notified annually of all gifts to the fund.

MPACF must approve, in advance of printing or production, all written or spoken materials related to solicitations promoting a fund including, but not limited to, the following: letterhead, brochures/posters, newspaper and magazine advertising, press releases, website and social media content, and radio and television announcements. All such materials must meet the following requirements:

- All must clearly state that the Fund is "a component fund of the Mt. Pleasant Area Community Foundation," and
- Solicitation disclosures are required under Michigan law that specifies the type and content of information that must be given to any prospective donor.

Active Fundraising

Active fundraising involves additional legal requirements. Generally, active fundraising events will fall into one of three categories:

- A. Independent Fundraising by a Tax Exempt Organization
- B. Independent Fundraising by an Individual or Non-Tax Exempt Organization
- C. Component Fundraising by an Individual or Non-Tax Exempt Organization

A. Independent Fundraising by a Tax Exempt Organization

An organization with its own charitable status and solicitation license may sponsor a fundraising event or solicitation promoting its organization and deposit the net proceeds into a fund that has been established for its benefit at MPACF. The organization issues its own acknowledgement letters, and donors receive a charitable tax deduction for their gifts because the sponsoring organization has its own 501(c) 3 status. If publicly stating that the proceeds will be deposited into a fund at MPACF, all printed and spoken material must clearly state that the fund is “a component fund of the Mt. Pleasant Area Community Foundation.”

B. Independent Fundraising by an Individual or Non-Tax Exempt Organization

Fundraising may be conducted by an individual, a group of people, or an organization without the endorsement or involvement of MPACF. Generally, the person or group that plans and executes the fundraiser (i.e., golf scramble, dinner, sales of products or services) makes one lump-sum donation to the component fund. Because the event is not sponsored by a 501(c) 3 nonprofit organization, donors are not entitled to a charitable tax deduction for their gifts.

Guidelines Applicable to Non-Tax-Deductible Fundraising:

1. An individual or group that plans and executes a fundraising event may state that the net proceeds will benefit the general purpose of the fund, but there should be no reference to MPACF in printed materials or communications of any kind.
2. The individual or group may not use MPACF's tax exempt number in connection with the event. Contributions made as a result of the event/solicitation will not qualify as tax-deductible charitable gifts to MPACF.
3. Event organizers are 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. Please note that, as a general rule, there is no charitable deduction for items purchased at auction or for raffle tickets.
4. Fundraising events often require certificates of insurance or signed contracts. When the events are sponsored independently of MPACF, the name of the Foundation or the fund *must NOT* appear on any contract or agreement. Volunteers *may NOT* sign contracts obligating the Mt. Pleasant Area Community Foundation or the fund.
5. Individual participants in the event (ticket purchasers, sponsors, golf players, etc.) make their payments to the organizing individual or group, not to the Mt. Pleasant Area Community Foundation or the fund. The organizers may record the contributors' names and addresses and may provide a courtesy acknowledgement. The acknowledgement letter must not include any language stating that the letter serves as an official receipt for IRS purposes or include any reference to tax deductibility or to the contribution being made to the Mt. Pleasant Area Community Foundation or to the fund.

6. The planning group pays expenses and sends the net proceeds of the fundraiser to the Mt. Pleasant Area Community Foundation for addition to the fund. MPACF records the gift as coming from unnamed third-party donors.

Note on Tax Deductibility:

Contributions to a fundraiser are only tax deductible when they are received and acknowledged directly by a qualified nonprofit organization. Depending on the event, tax deductibility may or may not be a motivating reason for donors to participate. We have often found that donors who participate in fundraising events are not doing so to receive a tax deduction. Donors often believe in the purpose of the fundraiser and will make a contribution regardless of the tax benefits to themselves.

C. Component Fundraising by an Individual or Non-Tax Exempt Organization

When individuals or fundraising groups conduct fundraising activities and solicitations on behalf of component funds at MPACF, they must keep in mind that, for tax purposes, such fundraising is being done on behalf of the Mt. Pleasant Area Community Foundation. A number of significant tax and accounting issues will arise. This type of fundraising involves more extensive guidelines and fees to cover tasks that are beyond the normal responsibilities of MPACF staff. The following guidelines give a more complete description of what is permissible and the responsibilities of those involved.

Guidelines Applicable to Tax-Deductible Fundraising:

1. All fundraising must be approved in advance by MPACF. Before undertaking public fundraising events, an individual or fundraising group must define each program, event, or other effort to raise money for the fund. A “Fundraising Application Form” must be submitted at least 90 days prior to the proposed event so MPACF staff can fully understand the organizer’s intent and assist in appropriate ways. At minimum, the “Fundraising Application Form” will include a description of fundraising activities, a budget for the event, the amount of money that is anticipated to be raised, the names of those authorized to incur expenses, names of those who might benefit from the event personally or through a business connection, and other information required by law. Approval of the event from the MPACF Executive Director must occur before any advertising begins. Once approval is obtained, all fundraising guidelines must be followed. Additional administrative fees may be charged if extra administrative services will be required of MPACF.
2. The following events will NOT be approved:
 - a. Casino nights
 - b. Fundraising for donor advised funds
 - c. Fundraising which utilizes the services of a professional organizer or solicitor
 - d. Events where the estimated net proceeds are expected to be less than \$1,000

Note on Unapproved Fundraising Events:

Upon review and evaluation of the “Fundraising Application Form,” MPACF may reject the application, but it would accept the net proceeds of the event as a contribution as described in Section B of these policies and procedures. MPACF would not endorse the event, be involved in the planning or production of the event, or allow its name to be used in any way with the fundraising activities.

3. All use of the Mt. Pleasant Area Community Foundation’s name and logo in advertising and promotion must be approved in advance by MPACF. At least five (5) business days should be allowed; if review is required by MPACF’s legal or financial advisors, an additional five (5) business days should be allowed. All written or spoken fundraising materials should make clear, where applicable, that funds are being

raised **on behalf of** rather than **by** the Mt. Pleasant Area Community Foundation for the XYZ Fund. The purpose of the fundraising event must also be clearly stated on all materials, ads, media releases, etc. and must follow the accounting guidelines compliance requirements below. The individual or fundraising group must also supply a final copy of all printed materials, scripts, videos, etc. that are used to publicize the event.

4. In accordance with FASB 136 (accounting guidelines), all fundraising materials must clearly establish donor intent to make a contribution and explicitly grant variance power to the Mt. Pleasant Area Community Foundation. Donors will be notified that, as guardian of funds, MPACF maintains variance power. *“The Mt. Pleasant Area Community Foundation maintains explicit authority to redirect earning of any fund if distributions of said fund become unnecessary, impossible to fulfill or inconsistent with the needs of the community.”*
5. MPACF staff will be responsible for:
 - a) The review and approval of all written and spoken fundraising materials to assure compliance with federal, state and local legal requirements;
 - b) Determining if additional liability insurance needs to be provided by the individual or fundraising group naming MPACF as an additional insured;
 - c) The review and signing of contracts required for the event;
 - d) Filing legal licenses as required by law (i.e. raffles);
 - e) The review and approval of tickets produced, as it is necessary that the ticket indicate the tax deductible portion of the ticket purchase (quid pro quo disclosure);
 - f) Providing meeting room space in the Hersee House for planning meetings during normal business hours;
 - g) Providing space for individuals and fundraising group members to assemble materials/mailings for the event during normal business hours;
 - h) The management of such money and property as it may accept into the component fund from donors, other contributors and sources;
 - i) The application of income to charitable uses, all in accord with the governing documents of the Mt. Pleasant Area Community Foundation;
 - j) The timely payment of invoices associated with the fundraising event after approval by the Fundraising Chairperson and confirmation that the expense was included in the approved event budget; and
 - k) Providing appropriate acknowledgments to donors in compliance with IRS guidelines and regulations.
6. The individual or fundraising group will be responsible for:
 - a) Appointing a Fundraising Chairperson who will serve as the point of contact with MPACF staff;
 - b) Providing a complete “Fundraising Application Form” for consideration by the Executive Director at least 90 days prior to the proposed event;
 - c) The purchase of any necessary liability insurance;
 - d) Providing MPACF staff with information pertaining to the event, such as ticket prices and the value of goods and services donors are to receive, so that the required quid pro quo disclosures can be made;
 - e) Obtaining advance approval from the MPACF Executive Director if the expenses of the event change by more than 5%;
 - f) Working with vendors, media, and/or volunteers to promote the event with written and spoken materials that have been approved by the MPACF Executive Director;
 - g) The sale of tickets with appropriate tracking and accounting of advanced sales provided to MPACF in a format agreed upon with staff;

- h) Providing MPACF will all event proceeds within one week of the event;
 - i) The approval of invoices associated with the event and forwarding of these invoices to MPACF staff within three weeks of the event;
 - j) Paying any expenses not approved as part of the event budget;
 - k) Assisting MPACF staff with information needed for filing required reports of any kind, such as licensing or tax payments;
 - l) Accepting responsibility for any financial losses of the event for those instances where the funds raised do not exceed the expenses of the event; and
 - m) Compliance with federal, state and local laws.
7. Exceptions to responsibilities listed in #5 and #6 above may be made if mutually agreed upon by the MPACF Executive Director, MPACF President, and Fundraising Chairperson.
8. All checks related to the event must be made payable to the Mt. Pleasant Area Community Foundation (or MPACF) for the XYZ Fund. Cash receipts are to be deposited intact. Cash receipts are not to be used to pay event expenses, and then the net cash amount deposited. Donations made in excess of ticket sales must be deposited with: the complete name and mailing address of the donor, the amount and date of the contribution, and a description of the donation if other than cash. All proceeds, checks and cash, must be delivered to MPACF during normal business hours along with an accounting of all monies received within one week of the fundraising event. In some cases, MPACF may provide staff at the event to receive donations.