

OPERATIONS

FUND ADVISOR TOOLKIT

Northwest Minnesota Foundation



Public Fundraising for NMF Component Funds

Fundraising undertaken by fund advisory committees and donors on behalf of component funds at NMF requires special consideration. As NMF is a charitable nonprofit 501(c)(3) and must act in accordance with that designation, the following procedures have been developed to help guide donors, organizers, or advisory committee members (referred to as "Fundraising Groups") in planning fundraising events or solicitations.

When Fundraising Groups conduct fundraising activities and solicitations for tax purposes, such fundraising is being done on behalf of NMF. A number of tax and accounting issues may arise. For example, it is important that these activities be conducted under the observation and fiscal guidance of NMF 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 NMF and the fund are not exposed to penalties for failing to make proper solicitation disclosures.

Public Fundraising

Foundation Approval of Events

Remember to allow appropriate time to plan fundraising events. It is not unusual to need five to six months to plan a successful event.

Before undertaking public fundraising events, the Fundraising Group is encouraged to discuss the fundraising idea with an NMF Philanthropy Officer. They will be able to provide valuable guidance and insight for your work. All fundraising materials should make clear where applicable, that funds are being raised on behalf of rather than by NMF.

Responsibilities of NMF

NMF 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 income and principal to charitable uses, all in accord with the governing documents of NMF; and providing appropriate acknowledgments to Donors.

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Responsibilities of Fundraising Group

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 such as licensing, tax payment, and liability insurance covering NMF
- Obtaining and providing NMF with all requested fundraising records. All fundraising records must be retained for a minimum of four years.

Payment of Expenses

The Fundraising Group will be responsible for all expenses and maintain appropriate financial controls and records related to fundraising events. The Fundraising Group will establish a budget for effective management of the event. How expenses will be paid (either by the Fundraising Group or by NMF) must be discussed prior to the event.

Regardless of who pays for expenses, copies of invoices and receipts must be provided to NMF for record-keeping. A benefit of paying your event expenses through NMF is that as a tax-exempt organization, no sales tax is paid if invoices are paid through your fund at NMF.

Designation of Checks and Receipt of Cash

Checks related to the event must be made payable to the Component Fund Name/ NMF. Cash receipts must be converted to a cashiers or other check, then sent to NMF along with any other income from the event. Cash receipts are not to be used to pay expenses. All proceeds must be delivered to NMF along with an accounting of all monies received within one week after the fundraising event. The Donations Form (found in the Operations toolkit) must be completed for accurate accounting of event proceeds.

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Tax Requirements and Acknowledgments

NMF most often receives the net income from a fundraiser and does not acknowledge the individual contributors of the donations. However, there may be times when individual contributors to a fundraiser would want to receive a charitable deduction.

The IRS has imposed strict requirements that impact any fundraising. If the steps outlined below are not taken, donors will be denied a tax deduction; the Fundraising Group might find themselves unexpectedly subjected to tax on the funds they raise; and, either NMF or the Fundraising Group might be subjected to penalty.

Donors who contribute \$250 or more will need a written acknowledgment from NMF in order to claim a tax deduction for the contribution. NMF will provide the appropriate acknowledgment to the donors, but will require certain detailed information in order to do so.

Specifically, the Fundraising Group will need to provide NMF with:

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

Contributions of services are not generally deductible. If the Fundraising Group provides goods or services in exchange for a donation of \$75 or more, certain disclosures are required to be made upon solicitation. 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 ticket to the event is a typical method for making this disclosure.

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NMF will assist the Fundraising Group in determining the fair market value amounts and the appropriate disclosure language for the event. However, NMF will have to work with the group *before* the solicitation activity, and will need information pertaining to the event such as the ticket prices, and the value of the goods or services donors are to receive. The Fundraising Group needs to see that the required quid pro quo disclosures are made.

Raffles, Rummage Sales, and Auctions

Raffle tickets are not tax deductible, they require a special permit and extra care must be exercised to avoid tax implications. This must be stated clearly on the face of distributed tickets. **Any raffles held as a fundraiser, must be hosted by a third party. Dollars raised can go to the fund but must be donated by the hosting organization to the fund.** Rummage Sale purchases are not tax deductible.

Auctions: Legal counsel for NMF shall review, on a case-by-case basis, any proposed ideas for an auction. At that time, tax deductibility of items will be determined.

Liability Insurance

The Fundraising Group will contact NMF prior to having a fundraising event to assess the need to secure liability insurance for itself and for NMF. Insurance coverage must be reviewed and approved by NMF.

Liability for Losses

The Fundraising Group will be responsible for all losses incurred by events. NMF will not be held responsible for such losses.

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Solicitation of Contribution

The following information must be provided to all potential donors:

1. The name of the charitable organization and the state in which it does business:
Northwest Minnesota Foundation, Minnesota
2. A description of the purpose for solicitation:
 - a. The _____ Fund is a component fund at the Northwest Minnesota Foundation.
 - b. The _____ Fund at the Northwest Minnesota Foundation is raising dollars today for the purpose of _____. Inquiries can be addressed to an NMF Philanthropy Officer.
3. The amount of the contribution deductible as a charitable contribution by federal law. (It is vital to determine the value of the benefit received by the Donor for his or her contribution. This amount is not deductible for federal income tax purposes.)
4. Written financial statements can be obtained from NMF through the web portal (All information regarding funds raised and event expenses must be given to NMF in a timely manner after the fundraising event so that we can respond in a timely manner to requests for information.)

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