



## *Guide to Donor Initiated Fundraising*

Thank you for expressing your confidence in the Community Foundation for Loudoun and Northern Fauquier Counties (hereafter “Community Foundation”) by establishing a component Fund (hereafter “Fund”) with us. The Community Foundation is pleased to work with you in helping to develop your Fund.

In establishing a Fund at the Community Foundation, there may be times when you would like to organize a Fundraiser to raise dollars for the Fund. Often, the Community 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 wish to receive a charitable deduction. The Community Foundation has developed this policy to help our Fund holders plan fundraising events and solicitations. We refer to these as “Fundraising groups.”

When Fundraising groups conduct Fundraising activities and solicitations on behalf of the Community Foundation’s Funds, you must keep in mind that, for tax purposes, such fundraising is being done on the Community Foundation’s behalf. This raises a number of significant tax and accounting issues. For example, 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 tax consequences to themselves, and to determine that the Community 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 monies for a Fund at the Community Foundation. *We appreciate your cooperation in fulfilling these requirements.*

### **Community Foundation Approval of Events**

All fundraising events require advance written approval from the Community Foundation. Before undertaking any such event, a Fundraising group must submit a written proposal (see a sample as Attachment 1) that includes the following information:

- **Contact person:** This person will serve as the main source of communication between the Community 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.

- **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.
- **Budget:** Attach an estimated budget for the fundraiser that includes projected revenue and a detailed list of projected expenses. This policy includes a sample as Attachment 2.

Please allow at least 15 days for Community Foundation review of your event. If the event is approved, the fundraising group may proceed in accordance with the Community Foundation's guidelines.

- All uses of the Community Foundation's name and/or logo in advertising and promotion must be approved in advance by the Community Foundation.
- All Fundraising materials should make clear, where applicable, that monies are being raised on *behalf of* rather than *by* the Community Foundation.
- All materials must include the language that "*XXXXX Fund is a component Fund of the Community Foundation for Loudoun and Northern Fauquier Counties.*"
- You are not authorized to bind the Community Foundation to any contract or agreement. All such documents must be signed by an authorized representative of the Community Foundation.

The Community Foundation may assess an administrative fee against the Fund to defray the cost of additional services required by the Fundraising event or solicitation.

### **Liability Insurance and Liability for Losses**

The fundraising group will contact the Community Foundation prior to the event to assess the need to secure liability insurance covering members of the group and covering the Community Foundation. Insurance coverage must be reviewed and approved by the Community Foundation and may be financially assessed to the Fund.

The Fundraising group will be responsible for all losses incurred by the event. The Community Foundation will not be held responsible for such losses. In some circumstances, the Community Foundation may require the Fundraising group to purchase a letter of credit or provide a written personal guarantee.

### **Payment of Expenses**

Expenses may be incurred only in accordance with the event budget that the Community Foundation has approved. Prior to the event we will discuss with you whether the expenses will be paid by the Community Foundation or by the group. Regardless of who pays the expenses, you must provide copies of invoices and receipts to the Community Foundation so that we may fulfill our record keeping and reporting responsibilities.

NOTE: Keep in mind that, if the Fund in question is a donor advised Fund, the Community Foundation cannot provide reimbursement of expenses to the Fund's donors, advisors, and related persons.

### **Designation of Checks and Receipt of Cash**

Within one week after the event, all proceeds, checks and cash, must be delivered to the Community Foundation along with an accounting of all monies received. Checks related to the event must be made payable to the Community Foundation or to the Fund. 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.

### **Tax Requirements and Acknowledgements**

Strict IRS requirements and state charitable solicitation laws impact all 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 monies they raise, and either the Community Foundation or the fundraising group might be subjected to penalties.

Gifts of \$75 or more that include some benefit, such as a meal, T-shirt, concert ticket, *etc.*, as well as donors who contribute \$250 or more will need a written acknowledgement from the Community Foundation in order to claim a charitable deduction for the gift. The Community Foundation will provide the appropriate acknowledgement to donors only if it receives certain detailed information. Specifically, the Fundraising group must provide the Community Foundation with:

1. The donor's complete name and address, or when using electronic systems, email address.
2. The date and amount of the contribution.
3. Whether the contribution was in cash or credit card.
4. If a donation is property such as a donated item, 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 (such as meals, T-shirt, concert ticket, *etc.*) provided in exchange for a donor's 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 Community Foundation will work with the fundraising group in determining the fair market value amounts and the appropriate disclosure language for the event. However, the Community Foundation must work with the group *in advance* 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**—As a rule, auction purchases are not tax deductible; in some circumstances, a buyer may elect to pay more for the item than its retail value. This additional amount may be tax deductible, but such gifts must be clearly documented.

## **The Community Foundation's Responsibilities in your Fundraising Efforts**

- The management of gifts and property as it may accept into the Fund from donors, and other contributors and sources.
- The application of principal and income to charitable uses, in accord with the Community Foundation's governing documents.
- Calculation of tax deductible and *quid pro quo* expenses.
- Payment of all pre-approved and discussed expenses.
- Signing all approved and documented contracts and agreements.
- 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:

- Providing a budget and bids and invoices from vendors
- Documentation of all donated costs and expenses
- Compliance with laws and Community Foundation policies
- Reporting and communications with Community Foundation staff and representatives
- Ensuring that all requirements such as licensing, tax payment, and liability insurance covers the event and the Community Foundation
- Timely delivery to the Community Foundation of all gifts, receipts, and invoices
- Specifics regarding benefits to a donor and costs associated for those gifts

## **State Charitable Solicitation Laws**

Virginia has specific language requirements for some fundraising activities, such as direct-mail solicitations. Community Foundation staff will alert you of these requirements if relevant to your fundraising program and will require additional cooperation from a fundraising group.

For fundraising programs outside of Virginia, registration with a respective state may be a requirement. Registration is a substantive process that requires a formal application process and costs. Please be sure to talk with Community Foundation staff about these.

**Attachment 1**

**Community Foundation for Loudoun and Northern Fauquier Counties  
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 (cell) \_\_\_\_\_

\_\_\_\_\_ (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 for Loudoun and Northern Fauquier Counties and its staff, to review all printed and promotional material with the Community Foundation for Loudoun and Northern Fauquier Counties 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
<b>TOTAL</b>		<b>\$20,350.00</b>

**Total Estimated Expenses** \$ \_\_\_\_\_

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

<b>Expense Item</b>	<b>Vendor</b>	<b>Cost</b>
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
Community Foundation administrative fee		\$500
<b>TOTAL</b>		<b>\$11,535.00</b>

**Fundraising Goal** (Gross Revenue minus Expenses) \$ \_\_\_\_\_