



The Community Foundation of Frederick County

Policies and Guidelines for Fundraising for Component Funds

The Community Foundation of Frederick County (hereinafter referred to as the “Community Foundation”) appreciates your interest in raising money to grow a component fund. We are honored to be working with you and hope that these policies and guidelines help you to achieve a successful outcome for both you and the Community Foundation while ensuring that all parties are in compliance with federal, state, and local legal requirements.

Recent legislation and IRS regulations have made significant changes in the fundraising activities the Community Foundation can support. The Community Foundation carefully and constantly reviews, revises, and updates these policies and guidelines to keep them consistent with federal regulations. Because the Community Foundation may need to update these policies and guidelines, please check with the Community Foundation before beginning any fundraising activity that benefits a fund.

Preliminary Matters

To ensure compliance with all legal, accounting, and insurance regulations and practices, the Community Foundation must have a clear understanding of the fundraising activity before *any fundraising activity is undertaken*. This includes the parameters of the fundraising activity, the event’s leadership team (hereinafter referred to as the “Fundraising Group”), the target market, sponsors, and the anticipated revenues and expenses. The answers to these questions are not necessarily obvious and may be determined in conjunction with the Community Foundation. The answers will also determine the activities that can be undertaken, the guidelines to be followed, and whether and how expenses can be paid.

If you are contemplating any activity to raise money for a Community Foundation fund, please contact the Director of Philanthropic Services at development@FrederickCountyGives.org or 301-695-7660 *at the idea stage and before any real planning begins*.

Fundraising for a Community Foundation fund can happen in two (2) ways:

1) Independent of the Community Foundation

This is defined as any fundraising activity where the Community Foundation receives the net proceeds of the fundraising event. Participants make their checks payable to an entity other than the Community Foundation (hereafter referred to as the “Sponsoring Entity”), with the Sponsoring Entity paying expenses and subsequently submitting the net event proceeds to the

Community Foundation fund. A charitable deduction is available only if the Sponsoring Entity is a nonprofit organization that accepts, controls, and receives the contribution.

- 2) Under the Auspices of the Community Foundation
This is defined as any fundraising activity where participants make their checks payable to the Community Foundation for placement in a specific Community Foundation fund and where a charitable deduction is anticipated for the contribution.

Fundraising activities not allowed under the Community Foundation's auspices are events of any kind (golf tournaments, dinners, runs or walks, carnivals, casino nights, etc.), poker runs, auctions, raffles, or games of chance. Allowable activities include appeal letters to friends and associates, brochures, information sessions, and grant applications (if appropriate).

Each type of fundraising has its benefits and responsibilities. Contact the Director of Philanthropic Services at development@FrederickCountyGives.org or 301-695-7660 with questions.

Guidelines for Independent Fundraising for Community Foundation Funds

In these scenarios, the simplest method for fundraising activities is that fundraising is conducted by the Fundraising Group without the involvement of the Community Foundation. Generally, the Fundraising Group plans and executes the fundraising activity and then makes one lump sum donation of the net proceeds to the fund. Unless the Fundraising Group asks another nonprofit organization to sponsor the event by accepting and acknowledging the contributions, individual donations are not tax-deductible to the donor, and the Community Foundation will not send gift acknowledgements.

Before embarking on independent fundraising activities that may benefit a Community Foundation fund, contact the Director of Philanthropic Services at development@FrederickCountyGives.org or 301-695-7660.

Note on Tax Deductibility: Contributions to a fundraiser are only tax-deductible when they are received and acknowledged directly by a qualified nonprofit organization and used for charitable purposes. Depending on the event, tax deductibility may or may not be a motivating reason for donors to participate. Often, donors participate in fundraising events because they believe in the purpose of the fundraiser and will make a contribution regardless of the tax benefit to themselves.

For implementing a fundraiser independent of the Community Foundation, please note the following:

- 1) Before the fundraising plans are finalized, the Fundraising Group must confer with the Community Foundation and sign a letter of understanding to outline its plan and to release the Community Foundation from any responsibility or liability for the fundraising event. The Fundraising Group is identified as the

sponsor of the activity and must understand and be willing to accept the responsibility and liability associated with the activity.

- 2) Event materials may state that proceeds benefit the general purpose of the fund, but may not use the Community Foundation name and logo in connection with the event. Unless the event is being sponsored by another nonprofit, materials *may not* state that contributions are eligible for charitable deductions, and no quid pro quo information (*in exchange for this gift, the donor receives a tax deduction of \$XYZ*) should be provided.
- 3) The Community Foundation's state sales tax exemption certificate will not be given to the Fundraising Group.
- 4) The Fundraising Group is responsible for determining, obtaining, and paying for any necessary insurance, permits, licenses, approvals, etc. Be aware that events or activities that include raffles or other games of chance are regulated by state and local governments and must be specifically reviewed, authorized and registered by the appropriate branch of government. Note that there are specific regulations regarding raffles and drawings and that there is *no charitable deduction for raffles*. Also, silent and live auctions and rummage sales typically do not have a charitable component.
- 5) Fundraising events often require certificates of insurance or signed contracts. The Fundraising Group must not place the Community Foundation's name on any contract or agreement. The signatory must understand and agree to his responsibility and liability for the event.
- 6) Individual participants in the event (ticket purchasers, sponsors, golf players, etc.) make their payments to the Fundraising Group, not to the Community Foundation or the fund. The Fundraising Group should 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.
- 7) The Fundraising Group pays all expenses directly and sends the net proceeds from the fundraiser (cash or check only) to the Community Foundation for addition to the fund.
- 8) The donor may make a direct, tax-deductible gift to the fund without participating in the fundraising activity. In that instance, he/she makes the check payable directly to the Community Foundation, notes the fund name in the memo portion of the check, marks the check "direct contribution/no benefits received" and sends it directly to the Community Foundation. If the donor has not received any goods or services (dinner, raffle tickets, round of golf, etc.) in exchange for the donation, he/she will receive an individual gift

acknowledgement letter from the Community Foundation indicating that the gift is tax-deductible.

- 9) If another nonprofit organization is the sponsor for the fundraiser, donors may be eligible for a tax deduction. More information on this topic is available in IRS Publication 1771, Charitable Contributions - Substantiation and Disclosure Requirements (<http://www.irs.gov/pub/irs-pdf/p1771.pdf>).

Guidelines for Fundraising Under the Auspices of the Community Foundation

The Community Foundation will allow the Fundraising Group to conduct certain fundraising activities under its auspices that do not stretch its limited resources and do not place the Community Foundation at risk for lawsuits.

Allowable activities include appeal letters to friends and associates, brochures, information sessions, and grant applications (if appropriate). Not allowed under the auspices of the Community Foundation are fundraising events of any kind (golf tournaments, dinners, runs or walks, carnivals, casino nights, etc.), auctions, raffles, or games of chance.

The Community Foundation reserves the right to charge a fee to the Fundraising Group to cover the costs of administering fundraising activities depending on the level of administrative support required.

Of special note is the reimbursement of fundraising expenses to the Fundraising Group. Legislation passed in 2006 makes significant changes in how fundraising expenses may be paid. If the fund that will receive the money is legally defined as a “donor-advised” fund, the Community Foundation MAY NOT reimburse any individual, including the Authorized Representatives, or any non-charitable entity (e.g. vendors) for expenses incurred. Note that funds established and advised by companies, professional groups, and/or alumni may be legally considered “donor-advised” under the legislation. Other types of funds (e.g. scholarship funds and fiscal agent funds) may be able to pay expenses from the fundraiser’s net proceeds. The Community Foundation continues to seek guidance on the application of this legislation and will continue to revise and update these policies and guidelines to ensure their consistency with federal regulations. Contact the Director of Philanthropic Services at 301-695-7660 or development@FrederickCountyGives.org with any questions.

The critically important first step is to determine whether the fund benefiting from the fundraiser is “donor-advised” according to the IRS definition. *Please contact the Community Foundation well before you begin ANY fundraising activity to clarify the fund’s status.* The current definition of a “donor-advised” fund includes any fund that is:

- a. identified by reference to the contributions of a donor or donors (individual, family or organization name);
- b. owned and controlled by the Community Foundation (already applicable to all Community Foundation funds); and

- c. appointing donor(s) or person(s) designated by the Founding Donor to have advisory rights with respect to investments or distributions (grants, expenses) from the fund.

The Community Foundation understands that this definition is still ambiguous and is working to clarify its interpretation to help determine whether and how fundraising may proceed.

For implementing a fundraiser under the auspices of the Community Foundation, please note the following:

- 1) Before ANY fundraising activity for any type of fund is begun, approval from the Community Foundation MUST be obtained. A written proposal outlining the effort, including timeline for activities and a budget indicating expected revenue and expenses must be submitted and approved by the Community Foundation at least three (3) months prior to the activity. (Application and budget forms are available from the Community Foundation.) For expenses to be paid, the Community Foundation requires documentation of the expense and alignment with the budget. Please note that individuals and non-charitable entities cannot be reimbursed from donor-advised funds.
- 2) Use of the fund or Community Foundation name must be approved in advance, and materials must state clearly that funds are being raised *on behalf of*, rather than *by*, the Community Foundation.
- 3) All fundraising solicitation and publicity materials must be reviewed and approved by the Community Foundation before they are produced or used, and the Community Foundation must retain sample copies of all fundraising materials including solicitation letters, pamphlets or brochures, grant applications, advertising copy, radio scripts or transcripts, media coverage, press releases, etc. A minimum lead time of three (3) weeks is required to obtain the Community Foundation's approval. Camera-ready or digital Community Foundation logos may be provided for use on approved printed materials. Solicitation materials must disclose the Community Foundation's correct organizational name and address, the purpose for which the solicitation is made, and that copies of the Community Foundation's annual report with financial statements are available upon request from the Community Foundation or from the Maryland Secretary of State Charitable Registration Division.
- 4) Certain fundraising activities connected with the Community Foundation may require proof of insurance for liability purposes. The Fundraising Group will be responsible for securing a certificate of insurance or a separate rider for your fundraising activity. The cost of such rider will be considered a fundraising expense and will be paid from the fundraising event proceeds. The insurance coverage should be obtained at least four (4) weeks in advance of the

fundraising activity. In all cases, the Community Foundation must be named as an additional insured on the policy, and a copy of the policy must be provided to and be kept with the Community Foundation.

- 5) The Fundraising Group must coordinate with the Community Foundation to obtain all required permits, licenses and/or approvals and to ensure compliance with all laws related to the effort. All legal and/or contract arrangements must be reviewed with Community Foundation staff and legal counsel if necessary. Legal expenses and/or costs related to obtaining permits are the responsibility of the Fundraising Group but can be budgeted and considered a fundraising expense, depending on the type of fund.
- 6) Because of complex governmental regulations, the Community Foundation does not sponsor traditional raffles, drawings, other games of chance, or auctions.
- 7) Contributions by check should be made payable to the Community Foundation, with the name of the fund noted in the memo section of the check.
- 8) Donors may make contributions using VISA, MasterCard and Discover credit cards online through the Community Foundation's website at www.FrederickCountyGives.org. The Community Foundation will also place a link on its website directing donors to a separate webpage to give to the fund.
- 9) If goods and services are provided in exchange for a donation, certain "quid pro quo" disclosures are required on solicitation materials including a good faith estimate of the value of the goods or services provided. For example, if a solicitation level of \$100 includes a shirt valued at \$35, the materials should read, "*Your gift in excess of \$35 is tax-deductible to the extent provided by law.*"
- 10) Grant applications to other foundations and funding sources are considered fundraising activities and may be submitted under the auspices of the Community Foundation. They must be reviewed, approved, and accompanied by a cover letter signed by the Community Foundation's President and CEO. The Community Foundation needs at least four (4) weeks lead-time to review and approve grant applications.
- 11) The Community Foundation's bulk mail permit may be used for approved mailings with permission, which must be requested before printing and at least four (4) weeks prior to the anticipated mailing. Materials to be mailed must be approved by the Community Foundation and by the Post Office to make sure they will be accepted for mailing under the Community Foundation's nonprofit bulk mail permit. The request must indicate the number and type of pieces being mailed and include a sample of materials.

Mailing costs will be considered an expense and the Community Foundation will be reimbursed from the fundraiser proceeds.

- 12) All gross funds raised by the fundraising activity must be submitted to the Community Foundation within five (5) business days of receipt, if the Community Foundation is not collecting them directly. If allowed, approved expenses will be paid by the Community Foundation from gross revenue within ten (10) business days.
- 13) The Community Foundation provides appropriate acknowledgement to donors to claim a tax deduction for their charitable contribution.
- 14) The Community Foundation manages the money contributed to the fund, ensuring that the income and principal (if applicable) are directed to charitable uses and are in accord with the governing documents of the Community Foundation and the individual component fund. No donor restrictions other than those for the purposes of the component fund will be accepted.
- 15) The Fundraising Group is responsible for submitting a final report to the Community Foundation within two (2) weeks after the completion of the fundraising event that summarizes the following information:
 - a. Number of units delivered (letters mailed, contacts made, etc.) by category or type;
 - b. Updated budget reflecting total receipts collected; and
 - c. Updated budget reflecting total expenses.
- 16) The Fundraising Group is responsible for any losses incurred by fundraising efforts or events. The Community Foundation will not be held responsible for such losses.
- 17) The Community Foundation reserves the right to charge an administrative fee to the Fundraising Group if the Community Foundation must expend extra administrative services to support the fundraising activity.

Questions? Please contact the Director of Philanthropic Services at 301-695-7660 or development@FrederickCountyGives.org.