



## GUIDELINES REGARDING PUBLIC FUNDRAISING FOR COMPONENT FUNDS OF THE FOUNDATION

### DONOR-INITIATED FUNDRAISING

Thank you for expressing your confidence in the Montrose Community Foundation (MCF) by establishing a fund with us. We are pleased to work with you in developing your fund. The primary mission of the MCF is to serve our donors, to raise funds for the Forever Fund to serve the long-term needs of the community and meeting current needs of the nonprofit community. The MCF, unfortunately, does not have staff to operate public fundraising events for its component funds, though technical assistance may be sought and given.

There may be times when you would like to increase the visibility of a particular Fund by undertaking some form of marketing, promotion or fundraising to benefit the Fund. This may take the form of, but is not limited to brochures, posters, information sessions, a request of money through an appeal letter to friends and associates or fundraising events such as auctions or dinners. These policies and guidelines have been developed to help assure a successful outcome for both you and the MCF and to ensure that the MCF meets all federal, state and local legal requirements.

The MCF can receive the net income from a fundraiser for a Fund and does not acknowledge the individual contributor of the monies. There may be other times when individual contributors to a fundraiser would want to receive a charitable deduction. This policy statement has been developed by the MCF to help guide those of you planning fundraising events and solicitations (we will call you "Fundraising Groups").

When Fundraising Groups conduct fundraising activities and solicitations on behalf of component funds at the MCF, you must keep in mind that for tax purposes such fundraising is being done on behalf of the MCF. A number of significant tax and accounting issues will arise. For example, it is important that these activities be conducted under the observation and fiscal guidance of the MCF to:

- Ensure that donors to the Fund are entitled to the appropriate tax deductions.
- Protect the Fundraising Groups from unintended tax consequences to themselves.
- Determine that the MCF is not exposed to penalties for failing to make proper solicitation disclosures. This includes referencing the MCF in all solicitation materials, so donors and regulators understand the connection to a properly registered charitable organization.

These requirements are designed to protect Donors and Fundraising Groups fundraising for a component Fund at the MCF. We appreciate your cooperation in fulfilling these requirements.

#### **MCF APPROVAL OF EVENTS:**

Before undertaking public fundraising events, the Fundraising Group will define in advance to the MCF each program, event or other effort to raise money for the Fund. The Fundraising Group should submit a written proposal including budget and attain advance approval from the MCF Executive Director.

The Fundraising group will then proceed according to the MCF's guidelines.

- All uses of the MCF name in advertising and promotion must be approved in advance by the MCF.
- All fundraising materials should make clear, where applicable, that funds are being raised *on behalf of* rather than *by* the MCF.
- An extra administrative fee may be charged if the MCF must expend additional administrative time or other resources.

#### **RESPONSIBILITIES OF THE FOUNDATION:**

The responsibility of the MCF will be to:

- Manage such money and property as it may accept into the component fund from donors, other contributors and various sources
- Apply income and principal to charitable uses, all in accord with the governing documents of the MCF
- Provide appropriate acknowledgement to donors

#### **RESPONSIBILITIES OF THE FUNDRAISING GROUP:**

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

- Payment of all costs and expenses
- Advertisement and marketing materials
- Compliance with laws
- Reporting and other requirements of every kind such as licensing, tax payment, if any, and liability insurance for public events covering the MCF
- Keeping accurate records and providing them to the MCF, as appropriate for each fundraising event

#### **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 (a sample is included in this document) for submission to the Foundation prior to all events.
- How expenses will be paid (either by the Fundraising Group or by the MCF) must be discussed prior to the event.
- Regardless of who pays for expenses, copies of invoices and receipts must be provided to the MCF for our record keeping.

#### **DESIGNATION OF CHECKS AND RECEIPT OF CASH:**

- Checks related to the event should be made payable to the "Montrose Community Foundation" with an appropriate designation to the component fund of the MCF.
- Cash receipts are to be deposited intact. That is, cash receipts are not to be used to pay expenses, and then the net cash amount deposited.
- All proceeds, checks and cash, must be delivered to the MCF along with an accounting of all monies received within one week after the fundraising event.

## **TAX REQUIREMENTS AND ACKNOWLEDGEMENTS:**

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 the MCF or the Fundraising Group might be subjected to penalty.*

Donors who contribute \$250 or more will need a written acknowledgement from the MCF in order to claim a tax deduction from the contribution. The MCF will provide the appropriate acknowledgement to the donors *but will require certain detailed information in order to do so.* Specifically, the Fundraising group will need to provide the MCF with:

- Donor's complete name and address
- Date and amount of the contribution
- If cash, the amount
- If other than cash, a description of the property and a good faith estimate of the fair market value
- Detailed description of any goods and services provided in exchange for the contribution
- In the case of auctions, more detail is necessary and training from the MCF is a prerequisite

Contributions of services, while appreciated, are not generally deductible.

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 group is sponsoring a dinner, the donor can only deduct the excess of the ticket price above the fair market value of the dinner. The limitation in the deduction, known as a "quid pro quo disclosure", must be disclosed *at the time of solicitation.* ('Quid pro quo –the donor receives more than nominal goods and services in return for his/her gift) Disclosure on the ticket to the event is a typical method for making the disclosure – with the donor keeping the ticket as receipt.

The MCF will assist the Fundraising Group in the proper ways to determine the fair market value amounts and the appropriate disclosure language for the event.

- The MCF will have to work with the group 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 expected to receive. The Fundraising Group needs to see that the required quid pro quo disclosures are made.

## **MISCELLANEOUS FUNDRAISING TOOLS:**

*Raffle* tickets are not tax-deductible. This must be stated clearly on the face of distributed tickets. You must hold a state raffle license to participate in a raffle. The MCF does NOT have a license; if you are a fiscal sponsorship raising money through the MCF, raffles are not allowed.

*Rummage Sale* purchases are not tax deductible.

*Auctions*—the basis for tax deductibility for each item needs to be established prior to any auction. Amounts paid over and above the basis may be used for tax deductions on the advice of the purchaser's accountant or attorney.

### LIABILITY INSURANCE AND LIABILITY FOR LOSSES:

The Fundraising Group will contact the MCF prior to having a fundraising event to assess the need to secure liability insurance for itself and for the MCF.

- Insurance coverage must be reviewed and approved by the MCF.
- The Fundraising Group will be responsible for all losses incurred by events.
- The MCF will not be held responsible for such losses.
- The MCF may require the Fundraising Group to purchase a letter of credit or provide a written personal guarantee.

In all marketing materials for events, brochures, press releases, programs – whatever the marketing material, it must be noted that your fund is “*a component fund of the Montrose Community Foundation*”.

If goods or services are received by the donor (for example, a dinner at a fundraising event) the following may be written on the ticket and serve as notification:

In exchange for your gift, you received dinner and a glass of wine (fair market value of \$XX and entertainment (fair market value of \$XX). *Federal law limits your charitable income tax deduction to the excess of your contribution over the value of goods and services received.*

As your Fiscal Sponsor; the MCF must have copies of all your marketing materials for our files.

The IRS is quite clear about record-keeping. Organization must keep sample copies of fundraising materials, such as:

- Dues statements
- Fundraising solicitations
- Tickets
- Receipts
- Other evidence of payments received in connection with fundraising activities

If . . .	Then . . .
Organizations advertise their fundraising events,	They must keep sample of advertising copy.
Organizations use radio or TV to make their solicitations,	They must keep samples of: (1) scripts, (2) transcripts, or (3) other evidence of on-air solicitation.
Organizations use outside fundraisers,	They must keep samples of the fundraising materials used by the outside fundraisers.

For each fundraising event, organizations must keep records to show that portion of any payment received from patrons that is not deductible—that is, the retail value of the goods or services received by the patrons.

APPLICATION FOR PUBLIC FUNDRAISING DONE ON BEHALF  
OF A COMPONENT FUND OF THE MONTROSE COMMUNITY FOUNDATION

Must be submitted for approval at least 30 days prior to a proposed event. If a liquor license will be sought by the group raising funds, the proposal must be submitted 90 days prior to the event.

Purpose of the fundraising effort: \_\_\_\_\_

Description of the event or solicitation: \_\_\_\_\_

\_\_\_\_\_

Date of the event: \_\_\_\_\_

Location of the event: \_\_\_\_\_

Group or individuals who will conduct the event, indicate at least two who will authorize expenditures:

\_\_\_\_\_

\_\_\_\_\_

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

Home Phone: \_\_\_\_\_ Work: \_\_\_\_\_

- 1) Attach a detailed budget for the event; unauthorized expenditures will be the responsibility of the Fundraising Group.
- 2) Do any of the above-named individuals expect to gain monetarily for conducting the event? Do any of these persons have connections to a business that will benefit from the proposed event? If so, explain.
- 3) Have these individuals or this group organized previous fundraising events? If yes, please explain.
- 4) Administrative duties of the Foundation are outlined in "Guidelines for Fundraising for Component Funds" and In "Fiscal Sponsorship Agreement."

Please mail this form to: Montrose Community Foundation, P.O. Box 3020, Montrose, CO 81402

OFFICE USE ONLY:

\_\_\_\_\_ Application/policies provided to fundraising group  
\_\_\_\_\_ Date Application Received  
\_\_\_\_\_ Date Board Approved

Fundraising Group has supplied:

\_\_\_\_\_ Proof of licensing (including  
liquor licensing, if applicable)  
\_\_\_\_\_ Proof of liability insurance  
covering the MCF

PROPOSED FUNDRAISING EVENT/PROJECT BUDGET  
FOR \_\_\_\_\_  
A COMPONENT FUND OF THE MONTROSE COMMUNITY FOUNDATION

Prior to your fundraising event and/or project, you will need to provide the MCF with a budget, including information on the fair market value of the goods and services a donor will receive when they participate in your event/project—specifically, the value they will receive for their contribution. We recommend you provide a proposed budget listing the event/project anticipated revenues and expenses, including donated items to the event and their value, and the number of people expected to attend. If this proposed budget is materially different from what actually occurs, a subsequent report to the MCF will be required listing the actual revenue/expenses and number of people attending and making contributions. The checks/contributions deposited in your component fund need to correspond with the information provided. In developing the proposed event/project budget, we recommend a format similar to the one provided below.

Expected Revenue \$ \_\_\_\_\_

Expected Expenses \$ \_\_\_\_\_

Net Proceeds (Revenues less Expenses) \$ \_\_\_\_\_

Number of Expected Event/Project Participants/Donors \_\_\_\_\_

Please describe and list sources of event/project revenue:

(You may do this on Excel and submit an Excel budget or add additional sheets if necessary.)

_____	\$ _____
_____	\$ _____
_____	\$ _____

Please describe and list sources of event/project expenses:

(You may do this on Excel and submit an Excel budget or add additional sheets if necessary.)

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Please describe and list donated goods/services to your event/project and their fair market value (Note: fair market value is the amount the item/service would be worth if sold to the general public in the ordinary course of trade). Attach separate sheet if necessary. If you are doing an auction, more information will be required.

Will you be paying any individual for services from this fund? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, explain who and the service(s) to be rendered. Describe any familial or financial relationship that exists between the paid individual and the organization's directors, employees or agents.

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Description of even/project and contribution levels. (Please detail what benefit(s) a donor receives when they contribute to your event/project). Are there different benefits associated with different levels of contribution? What does a corporate sponsor receive for contributions and are there different benefits for corporate sponsors?

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A few additional points to consider:

- A contribution/gift to your charitable fund is a voluntary transfer of money or property that is made with no expectation of a commensurate return. If a donor will receive a financial economic benefit in return for making a contribution/gift (dinner and entertainment, etc.), the payment is not a tax deductible charitable contribution except to the extent that it exceeds the fair market value of the benefit. Therefore, for the MCF to properly acknowledge charitable contributions to your fund from a fundraising event, the information in the proposed/actual budget and the corresponding value assigned to the contributions will need to be provided. Without this information, the MCF will not be able to appropriately acknowledge the donor for his/her charitable contribution to your charitable fund.
- Items donated for your fundraising event (for example, food and/or cases of soft drinks) must be assessed at fair market value and included in the calculation determining the value of the benefit received by the donor for his/her contribution.

- If your fundraising event/project includes a charity auction, you will actually have two donors for each item—the donor who gives you the auction item and the donor who successfully bids on the item. You will need to provide the MCF with a separate listing of the items offered for auction, their fair market value as determined by the item donor, the successful bid amount and name of the successful bidder. If a donor successfully bids for an item at a charity auction and the bid exceeds the fair market value of the item, he or she may be able to deduct the excess of the bid over the fair market value as a charitable contribution. The MCF needs accurate names and addresses for all participants in an auction in order to appropriately acknowledge donors.
- Paintings given for auction: If an artist donates an unsold painting, the value is simply that of the value of the canvas and paint. If a painting has been sold, and the donor has the value of the painting, that information may be used to determine fair market value.