



Where giving and opportunity meet

Policies and Procedures: Donor Fundraising

This policy statement has been developed by the Community Foundation for the National Capital Region and its affiliates, the Montgomery County Community Foundation and the Prince George's Community Foundation as a guide to donor fundraising, including fundraising events and solicitations. In this document, those persons running the event will be referred to as the Fundraising Group.

When Fundraising Groups conduct fundraising activities and solicitations on behalf of component funds at the Community Foundation, for tax and liability purposes, such fundraising is being done on behalf of the Community Foundation. It is important that these activities be conducted under the observation and fiscal guidance of the Community Foundation to ensure that Donors to the Fund are entitled to the appropriate tax deductions, to protect the Fundraising Group 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.

Community Foundation Approval of Events

Before undertaking fundraising events, the Fundraising Group will define in advance to the Foundation each program, event or other effort to raise money for the Fund. The Fundraising Group should submit a written proposal (see Attachment A) and get approval from the Community Foundation, otherwise the event is not considered a charitable event and the Community Foundation is under no obligation to acknowledge any receipts from the event as a tax deductible contribution. See Attachment B for a list of the pre-event and post-event information required prior to event approval.

All uses of the Community Foundation's name in advertising and promotion must be approved in advance by the Community Foundation. All fundraising materials should make clear, where applicable, that funds are being raised *on behalf of* the component fund rather than *by* the Community Foundation. An administrative fee may be charged if extra administrative services will need to be expended by the Foundation.

Responsibility of the Community Foundation

The responsibility of the Community Foundation will be for:

- the management of any money and/or property that is contributed to 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 the Foundation; and
- providing appropriate acknowledgments to donors who give over \$250 and do not receive any goods or services in return.
- providing appropriate documentation regarding charitable status including statement of IRS tax determination, sales tax exemption, liability insurance, etc.

Responsibilities of Fundraising Group

The Fundraising Group will retain responsibility for all fundraising events and matters related to them including:

- ensuring that costs of an event do not exceed 25% of the proceeds;
- ensuring that donors are not reimbursed for any expenses;
- Submitting invoices against the pre-approved budget for the fundraiser;
- compliance with laws; and
- reporting and other requirements of every kind such as licensing, tax payment, and the cost of the liability insurance covering the Community Foundation for the event (minimal \$100 charge from Community Foundation's insurance carrier.)

Designation of Checks and Receipt of Cash

Checks related to the event must be made payable to the component Fund/ CFNCR. Cash receipts should be converted to a check or money order prior to depositing with the Community Foundation. A separate note indicating what cash was converted should be submitted with the deposit.

Tax Requirements and Acknowledgements

Donors who contribute \$250 or more will need a written acknowledgement from the Community Foundation in order to claim a tax deduction for the contribution. The Community Foundation 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 Community Foundation with:

- 1) The Donor's complete name and address;
- 2) The date and amount of the contribution;
- 3) Whether the contribution was in cash or property;
- 4) If cash, a copy of the receipt given to the contributor for the contribution. This step is not required for gifts made by check.

- 5) If property, a description of the type of property and a good faith estimate of the fair market value; and
- 5) A detailed description of any goods and services provided in exchange for the contribution.

Contribution 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. This limitation on the deduction, known as a “quid pro quo disclosure”, must be disclosed at the time of solicitation. Disclosure on the ticket of the event is a typical method for making this disclosure.

The Community Foundation will assist the Fundraising Group in determining the fair market value amounts and the appropriate disclosure language for the event. However, The Community Foundation 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 values of the goods or services donors are to receive. *The Fundraising Group is responsible for making sure that the required quid pro quo disclosures are made. Please note: in compliance with HR4 - The Pension Protection Act – no reimbursement of fundraising expenses can be made from a donor advised fund that is authorized to hold a fundraising event.*

Additional Information:

Raffle tickets are not tax-deductible. This must be stated clearly on the face of distributed tickets.

Sales (Art, etc.) purchases are not tax-deductible.

Auctions – The Community Foundation shall review, on a case-by-case basis, any proposed ideas for an auction. At that time, tax deductibility of items will be determined.

Golf Events - The Community Foundation will not support the expenses for any golf related events. Experience has proven they do not meet the cost return ratio provision.

Attachment A

The Community Foundation for the National Capital Region

Fundraising Event Proposal Form

Name of Fundraising Group:

Event Date:

Event Location:

Event type and description of activities to be conducted:

Date and evidence of local jurisdiction approval, if necessary:

Copy of draft solicitation material, including notation of personal benefit value. (please attach)

Attachment B

The Community Foundation for the National Capital Region

Pre-event and Post-Event Reporting Requirements

Pre-Event (Submitted with Attachment A as part of request for approval)

1. Detailed Event Budget, including
 - a. Revenue by source, for example:
 - i. Ticket sales (note cost of individual ticket)
 - ii. Sponsorships
 - iii. In-kind donations
 - iv. Auction
 - b. Direct expense:
 - i. Facility
 - ii. Temporary labor
 - iii. Paid professional fundraiser (include copy of contract)
 - iv. Consultants
 - v. Catering
 - vi. Prizes- cash and/or fair market value of non-cash
 - vii. Other – describe

Post-Event

1. Report actual results against the above budget in column format\
2. Report the total number of tickets sold to the event
3. Transmit all receipts for processing

**Guidelines For Advised Funds
The Community Foundation**

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GUIDELINES AND POLICIES GOVERNING ADVISED FUNDS

The Community Foundation for the National Capital Region and affiliates: The Montgomery County Community Foundation, and Prince George's Community Foundation ("The Community Foundation") accept component *advised funds* to develop support of, and participation in, the philanthropic interests and activities of The Community Foundation in metropolitan Washington, DC. This includes the District of Columbia, Montgomery and Prince George's Counties, and nearby Northern Virginia. The Community Foundation encourages individuals, families, corporations, and private foundations to establish *advised funds* as an important means of meeting the region's existing and emerging needs. Such funds stimulate an interchange of ideas between donors and The Community Foundation, provide financial resources to extend the charitable programs of The Community Foundation, and contribute to the growth of The Community Foundation's endowment.

As a community foundation, The Community Foundation enjoys status as a public charity. This status entitles donors to tax deductions usually superior to those accorded donors to private foundations. Further, The Community Foundation handles the administrative responsibilities specific to each component fund, including grant correspondence, issuance of checks, tax filings, audit requirements, and staffing needs.

While the law expressly recognizes the right of living donors to make grant suggestions from time to time, the regulations adopted by the Internal Revenue Service clearly state that *the governing body of a community foundation must exercise final discretion and control concerning the expenditures of such funds.*

The Community Foundation welcomes your use of our various services to further your philanthropic interests. We can serve as your eyes and ears to identify priority needs in the area we serve. Our regular communication and Annual Report highlight grants, and will provide you with information about local organizations devoted to community betterment. If you are interested in a particular area of need or charitable organization, and The Community Foundation does not already have detailed knowledge of it, we may be able to make the necessary investigation. Knowing your areas of interest, The Community Foundation may periodically bring to your attention new or unique opportunities to enhance your charitable giving.

The Community Foundation has developed the following guidelines pertaining to the establishment and administration of *advised funds*. These guidelines may be amended from time to time, when deemed necessary or desirable by The Community Foundation's Board of Trustees. For further information, contact Kenny Emson at (202) 263-4779, or email kemson@cfncr.org.

POLICIES AND PROCEDURES ON ADVISED FUNDS

ESTABLISHMENT OF FUNDS

Any person or organization (the "Donor") may establish an *advised fund* by the donation of or transfer of money or other property, whether by contribution, gift, bequest, devise or other transfer to, and acceptance by The Community Foundation. The Community Foundation has full legal ownership of such *advised funds*, which shall be administered as component funds of The Community Foundation. Each *advised fund* may be recorded as an identifiable or named fund, as requested by the Donor.

- *Advised funds* are governed by a written agreement between The Community Foundation and the Donor.
- A minimum gift/pledge of \$50,000 is preferred to create an *advised fund*. Smaller funds can be established (\$10,000 minimum). Staff can discuss options and requirements in further detail. Additional contributions in any amount may be added to an *advised fund* at any time.

ADMINISTRATIVE FEES

All *advised funds* are charged an appropriate allocation of direct and indirect expenses attributable to the administration of component funds as well as to further the mission of The Community Foundation to meet the compelling charitable needs of metropolitan Washington, D.C. Those fees are listed below:

- A 1.1 % management fee from fund balance of each *advised fund* is required annually. (For those funds that exceed \$3 million in fund balance a sliding fee scale takes effect: 1.1% on the first \$3 million, 0.60% on the next two million, and .035% above \$5 million).
- A 1% contribution from fund assets of each *advised fund* is **requested** annually to supplement The Community Foundation's unrestricted grant funds to be used to meet compelling charitable needs of the community.

DONOR RECOMMENDATIONS

Generally, the Donor, or other person designated by the Donor at the time the Fund is created has the opportunity to recommend disbursements from the *advised fund*. The Community Foundation shall consider and evaluate all such recommendations, as they are advisory in nature.

The Donor may suggest a grant for general support or for a particular program or activity sponsored by a qualified local, regional, or national organization. While The Community Foundation may occasionally handle grants as small as \$250, donors are urged to submit grant recommendations of \$500 or more. Recommended distributions must be made in writing to The Community Foundation or online via the donor central web portal. A Donor Suggestion Form should be completed by the Donor-Advisor and submitted. For those organizations on a pre-approved list, grants are distributed weekly. Organizations not on the pre approved list may take two weeks to process, depending on how quickly the organization can pass the required due diligence. All organizations need to go through the due diligence process every two years. It is important to note that your suggested donation can **NOT** include any non-tax deductible

benefits. This includes the partial payment of a table at a charitable event.

The Community Foundation will decline to make distributions recommended by Advisors when:

- The grantee is not a tax qualified charitable organization as described in Section 501(c)(3) of the IRS Code;
- Upon investigation, The Community Foundation finds that the recommended recipient does not meet The Community Foundation's general standards for grantmaking;
- When, by reason of the Donor's receipt of benefits from the grantee, the gift would not be fully tax deductible if given directly by the Donor. For example, if the donor received a benefit from the gift such as dinner or tickets, the donor has the option of paying directly for the benefit received.

Important information on pledges: Many nonprofit organizations urge Donors to make pledges of financial support. The U.S. Treasury Department has ruled that, when an individual makes an irrevocable commitment in his own name to a charity, the commitment cannot be satisfied with a grant from a foundation. On the other hand, a foundation such as The Community Foundation for the National Capital Region can and does make pledges in its own name to some of its own initiatives, while others are made at the suggestion of its Donors. Please contact The Community Foundation for more information in this regard.

STAFF INVESTIGATION

It is the policy and practice of The Community Foundation to conduct staff investigations of all grant recommendations. The extent of such investigations will, of course, depend upon the nature and category of the grantee organization and information obtained by, or already available to, The Community Foundation with respect to the grantee and the purposes of the grant.

BOARD ACTION

At regular monthly Board meetings, Donor recommendations are presented for post approval. The Board does not see from which fund the grants are being made. Unless otherwise specified by the Donor, approved distributions from an *advised fund* will identify for the grantee organization, the name of the Fund from which the distribution is made.

MONITORING MAJOR GRANTS

The Community Foundation may request grantees to report on the use of grant funds whenever a grant of \$50,000 or more is distributed. Most grantees are eager to keep The Community Foundation informed. The Community Foundation, in turn, is interested in keeping Donors informed of its charitable activities.

Exceptions to this requirement may be made in the case of grants for general support, building funds, and other projects of such size as to make it impossible to identify separately the use of each donation or grant received.

REGULAR REPORTS

On a quarterly basis, the Donor will receive a summary report of all distributions from and additions to the Donor's Fund. The donor will have online access to this information as well via donor central.

EDUCATIONAL PROGRAM

The educational program for Donor-Advisors is part of a larger effort by The Community Foundation to educate the public with regard to the scope of charitable services offered by The Community Foundation. The objectives of The Community Foundation's educational program include:

- Acquainting current and potential Donors, their advisors, and others in the community with the specific regional charitable needs determined by The Community Foundation to be worthy of support;
- Encouraging interaction between members of the community, including business and civic leaders, Donors, grantee organizations, prospective grantees; and The Community Foundation to develop a broad perspective on the changing charitable needs of the community;
- Enabling Donors and others to observe the work of The Community Foundation as an organization effectively serving the charitable needs of the Washington regional community and vicinity; and
- Attracting funds from a wide segment of the Greater Washington regional community to further the charitable purposes of The Community Foundation by working to meet the needs of the community.

OTHER INFORMATION

DONORS AND THEIR DESIGNEES

The privilege of making recommendations shall be extended to Donors and their designees, subject to the following limitations:

- Ordinarily, if an individual establishes an *advised fund*, the privilege of making recommendations is limited to the Donor, and, if so specified, the Donor's spouse and/or children. The Community Foundation will allow successor generations to become advisors providing the family remains active. Individual or joint recommendations may be made, unless otherwise specified in the fund agreement. This privilege will terminate on the death, written notice to The Community Foundation of resignation, or release of or by the Donor or other designees. Unless stated otherwise in writing advised funds will become endowed funds upon the death of the original donors and distributions will be subject to the Community Foundation's current spending policy.
- The agreement establishing an *advised fund* may designate a person or persons other than, or in addition to the Donor, spouse, or children to exercise the privilege to make recommendations. In that case, the privilege will exist only during the lifetime of the Donor, spouse, or specified children, unless earlier terminated as described above.

CONTINUITY OF FUNDS

On the termination of the recommendation privilege, *advised funds* of less than \$10,000 becomes part of The Community Foundation Endowment Fund. *Advised funds* of \$10,000 or more become named endowment funds of The Community Foundation. If the Donor has designated a particular charitable field, preference will be given to that field in distributions from that fund.

INVESTMENT OF FUND ASSETS

The Community Foundation has the sole responsibility and authority for the investment of the assets of each *advised fund*. The assets of any component fund can be commingled with those of other *advised funds*, or with other Funds of The Community Foundation, or may be invested in units of a common investment fund, which may be established or utilized by The Community Foundation.

The Community Foundation shall have no obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or hold the assets of a Fund as a separate unit for investment purposes.

The Board of Trustees, a committee, agent, or director authorized by the Board, shall make decisions regarding the retention, investment, reinvestment, and commingling of assets.

