

evanston!communityfoundation

DONOR INITIATED FUNDRAISING POLICY

Approved April 2018

Thank you for placing your trust in the Evanston Community Foundation by establishing a donor advised fund. The Foundation is pleased to assist you in accomplishing your philanthropic goals. Some donors or volunteer groups may wish to organize fundraising events, direct mail campaigns, and/or other types of solicitations to raise money for their fund. These policies are designed to provide guidance for such activities.

The Council on Foundations, a national not-for-profit association of grantmaking foundations and corporations, has issued a report on donor-initiated fundraising. The Council's report reminds us that the Evanston Community Foundation is legally responsible for all donor fundraising undertaken on its behalf, and that the Foundation, as well as the donor, can face serious penalties if procedures are not established and carefully followed.

The Foundation is limited in its available resources to assist directly with all fundraising activities undertaken for the benefit of its funds. However, the Foundation supports its donors' commitment to and enthusiasm for these activities and offers its advice for the proper and efficient management of such efforts.

Donor-Initiated Fundraising may occur in two ways:

- I. **Independent Fundraising** –conducted by an individual or independent organization without the endorsement or involvement of the Foundation, with the net proceeds are donated to the fund.
- II. **Evanston Community Foundation** –conducted on behalf of the Evanston Community Foundation using the Foundation's name, the name of the fund, and the benefits of the Foundation's not-for-profit status.

The benefits and responsibilities for each type of fundraising approach are detailed below.

I. INDEPENDENT FUNDRAISING

Independent fundraising, with no mention of the fund or the Foundation, is a simple method for those interested in holding special events. The Foundation will not have to approve the fundraiser, records will not have to be turned in to the office, and the Foundation will not need to approve promotional and printed materials in connection with the fundraiser. If you plan to do independent fundraising, please review your plans with the Foundation as a courtesy and to ensure adherence to proper procedures.

Guidelines for Independent Fundraising

1. A person or group plans and executes a fundraising event. Event organizers may state that proceeds benefit the general purpose supported by the Foundation fund, but cannot use the Foundation name, logo, tax exempt number, or name of the fund in connection with the event.

2. The planning group is responsible for obtaining and paying for any necessary insurance, permits, licenses, approvals, etc. 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.
3. Fundraising events often require certificates of insurance or signed contracts. When the event is sponsored by a person, group, or other organization, the name of the Foundation or the fund must not appear on any contract or agreement. (Note: volunteers must not sign contracts obligating the Foundation.)
4. Individual participants in the event (e.g. ticket purchasers, sponsors, golfers, etc.) make their payments to the organizing person or group, not to the Foundation or the fund. The organizers may record the contributors' names and addresses and may provide a courtesy acknowledgment. Because contributions must be received by a tax exempt organization to be deductible, courtesy acknowledgments must not include any language stating that the letter serves as an official receipt for IRS purposes or include any reference to tax deductibility or to the contribution being made to the Foundation or to the fund.
5. The planning group pays expenses and sends the net proceeds from the fundraiser (cash, one check, or a credit card payment) to the Evanston Community Foundation for addition to the fund. The Foundation then records the gift as coming from unnamed "third party donors."
6. It is possible for a donor to make a direct, tax-deductible gift to the fund without participating in the fundraising activity. In this instance, he or she makes the check payable directly to the "Fund Name" of The Evanston Community Foundation, marks the check "direct contribution/no benefits received," and sends it directly to the Foundation. If the donor has not received any goods or services (e.g. dinner, raffle tickets, round of golf, etc.) in exchange for the donation, he or she will receive an individual gift acknowledgment letter from the Foundation indicating that the gift is tax deductible.

II. FUNDRAISING ON BEHALF OF THE EVANSTON COMMUNITY FOUNDATION OR ONE OF ITS FUNDS

When fundraising activities or solicitations use the Foundation's name or the name of one of its component funds, the IRS views the activities as being conducted by the Foundation. In this case, the Foundation is legally responsible for the fundraising activity, and together with the donor-fundraisers, may face serious penalties if careful procedures are not followed. Donors to the fundraiser may be denied a tax deduction for their contributions; the donor-fundraisers may be unexpectedly subjected to tax on the funds raised; and both the Foundation and the fundraisers may be subject to penalties. The following guidelines are provided to protect our donors and the Foundation from incurring such penalties.

Guidelines for Fundraising on behalf of the Foundation or one of its Funds:

1. *Foundation approval of all fundraising efforts and materials is needed prior to the start of formal planning and implementation.* A written proposal outlining the efforts to raise money for the fund and a budget indicating expected revenue and expenses must be submitted to the Foundation's

Director of Philanthropy & Communications at least 90 days prior to the event. In cases when the Foundation agrees to pay for fundraising expenses, the Foundation requires documentation of each expense and alignment with the budget. The Foundation reserves the right to deny an application for a fundraising event or activity conducted on its behalf at its discretion.

Approval or denial of applications shall be granted in a timely manner upon receipt of these items:

a) Event 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 event and why the activity is sure to be a success.

b) Contact Person

This person will serve as the main source of communication between the Foundation and the fundraising group. A contact person's name, address, phone number and e-mail address must be provided.

c) Budget

An estimated budget for the fundraiser must to be included with the application. Projected revenue, expenses, and a detailed list of both will need to be included. A sample budget format is found with the application.

To be approved for a fundraiser, the individual or group must agree to review all printed and promotional material with Foundation staff prior to its release to the public. The Foundation retains the right to exercise discretion when approving applications and related materials for fundraising events.

In view of the Foundation's role in the community and its desire to remain apolitical and effective in its role as a philanthropic resource, any event that involves activities that may be considered to be outside the standards of our mission and leadership role (as defined by the Foundation) will not be allowed to utilize the Foundation's name and proceeds will not be accepted.

2. Use of the Foundation's name must be approved in advance, and materials must state clearly that funds are being raised "*on behalf of*", rather than "*by*", The Evanston Community Foundation. All written materials concerning the fund and/or fundraising must be reviewed and approved by Foundation staff before they are printed. A minimum lead time of two weeks is required. Camera-ready or digital Foundation logos will be provided for use on approved printed material. Solicitation materials must disclose the Foundation's organizational name and address, the purpose for which the solicitation is being made, and that copies of its annual report with financial statements are available from the Foundation upon request.
3. Fundraising efforts or events connected with the Foundation may require proof of insurance for liability purposes. The Foundation will not secure a certificate of insurance. The fundraising group will be responsible for obtaining the appropriate insurance for your effort or event. The cost of such a rider will be considered an event expense and may be paid for from its proceeds or from

the fund's balance. Please allow a minimum of 4-6 weeks to obtain this coverage. When you obtain separate liability insurance, the Foundation must be named as an additional insured on the policy and a copy must be provided to us prior to the event.

4. The fundraising group responsible for obtaining all required permits, licenses and/or approvals and for compliance with all laws related to the effort or event. Note that sales tax permits may be required for events such as art fairs, rummage sales, antique shows and other events where goods are sold. *All legal and/or contract arrangements must be reviewed with Foundation staff and, if necessary, by legal counsel.* Legal expenses and/or costs related to obtaining permits are the responsibility of the fundraising organizers, but can be budgeted for and considered an event expense.
5. Use of the Foundation's sales tax exemption is encouraged for pre-determined vendors but may not be used by individuals purchasing items on behalf of the activity. Letters are available for distribution to vendors by the Foundation. Use of the Foundation's sales tax-exempt status is not permitted unless the expense was approved in the initial budget submitted to the Foundation, invoiced to the organizing group, and then submitted to the Foundation for payment. Requests for coverage of additional expenses by the Foundation must be made in advance and shall be authorized at its discretion.
6. Note that there is no charitable deduction for items purchased at or below value at auction, and the Foundation does not send acknowledgment letters for these contributions. For items provided for auction, the Foundation may provide a letter to the donor with a description of the item without specifying a dollar value.
7. Contributions by check should be made payable to the Evanston Community Foundation - "XYZ Fund." As an alternative, checks can be made payable to the Evanston Community Foundation, with "XYZ Fund" noted in the memo line. Credit card contributions can also be made via the Foundation's web site.
8. The sale of merchandise and other goods or services at events or activities is prohibited by the Foundation without its express written consent.
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 an event with a \$100 ticket price involves a dinner valued at \$35, the invitation will read:
*"The estimated value of these goods and services is \$35.00.
Only the amount of the gift in excess of these goods and services is tax deductible."*
10. Grant applications to other foundations and funding sources are considered fundraising activities and are submitted under the auspices of the Foundation. They must be reviewed, approved, and accompanied by a cover letter signed by the Foundation's Director of Philanthropy. The Foundation requires at least two week's lead-time to review and approve grant applications.

Commented [MBJ1]: Do we want to put this in the hands of the Dir. Of philanthropy as well?

501(c)(3) status will be submitted by the Foundation directly to the requesting foundation or other funding source.

11. All gross funds raised by the fundraising activity, along with an accounting of all monies received, any unpaid approved expenses, and a listing of outstanding donations must be submitted to the Foundation within five business days of the fundraising activity's conclusion. All approved expenses will be paid by the Foundation from the fund within ten business days of its receipt of the invoice.

Commented [MBJ2]: While I think Excel is awesome and it formats nicely into our processes, stating this in a policy could be seen as a hindrance to smaller groups of fundraisers. I'm hopeful that we could coach them on the proper software to use.

Payment of Expenses:

The fundraising group will be responsible for all expenses of its fundraiser and maintain appropriate financial controls and records related to fundraising events.

The Foundation will directly pay all pre-approved expenses associated with fundraising activities. Submission of all invoices representing expenses for a fundraiser should be submitted within five business days of the fundraising activity's conclusion.

In no event shall the Foundation reimburse an individual for an expense he or she paid directly to the vendor.

Individuals or groups who undertake a fundraiser are responsible for all financial losses incurred by the event. The Foundation will only pay pre-approved invoices up to the gross amount (less administrative fee) of event proceeds and will not be held responsible for losses.

The collection of all money (donations, sponsorships, etc.) is the responsibility of the individuals or fundraising group and will not be considered a responsibility of the Foundation.

Proceeds can be submitted to the Foundation as frequently as needed prior to an event, along with an itemized list of gift amount by donor and detailed donor records including each donor's name and address.

In-kind gifts will be acknowledged when the donor's name, address, and description of gift are submitted. An invoice or statement listing the dollar value of the in-kind gift is also required.

12. The Foundation provides appropriate acknowledgment to donors so that they may claim a tax deduction. The following information will assist the Foundation in issuing an accurate and timely acknowledgment letter to each donor; each letter will contain the appropriate IRS language so the donor is assured the maximum tax deduction allowed:
 - The donor's complete name and address
 - How the donor wishes to be acknowledged in the Foundation's annual report or if the donor chooses anonymity
 - The date received and amount of the contribution
 - Any goods or services the donor received in exchange for their gift and their estimated value

Contact the Foundation before the gift occurs if someone wishes to donate a gift of property (e.g. stock).

13. The Foundation manages the money contributed to the fund, ensuring the income and principal (if applicable) are directed to charitable uses and are in accord with the governing documents of the Foundation and the individual component fund. No donor restrictions other than those for the purposes of the component fund will be accepted.
14. An administrative fee may be charged for Foundation services provided to endorse and provide staff for the event, acknowledge gifts, and administer the proceeds and expenses of the fundraiser. This fee will be determined in advance, and discussed with the fundraising group. Any administrative fee will be deducted from the event proceeds.

Please contact us: Evanston Community Foundation, 1560 Sherman Avenue, Suite 535
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