



Policy Regarding Public Fund-Raising for Component Funds of The Northwest Connecticut Community Foundation

Thank you for entrusting The Northwest Connecticut Community Foundation (hereinafter referred to as the "Foundation") with the stewardship of your fund. We encourage you to initiate fund-development activities so that your fund grows over time and expands its capacity for charitable support. The Foundation serves as a planned-giving center and can help interested donors understand the many gift options available to them. Regrettably, however, we are not staffed to conduct public fund-raising on behalf of our component funds.

As a fund-holder at the Foundation, there may be occasions when you would like to organize a fund-raising event for the benefit of your fund. The Foundation generally processes and deposits the net income from such fund-raisers, but because goods and services are often received in exchange for a contribution, the Foundation does not acknowledge the individual contributions. There may be times, however, when individual donors to a fund-raiser would like to receive a charitable tax deduction. This policy statement was developed as a guide for those of you (hereinafter referred to as "fund-raising groups") planning fund-raising events and solicitations.

It is important to bear in mind that when fund-raising groups conduct activities and solicitations on behalf of component funds at the Foundation, for tax purposes, such fund-raising is carried out on behalf of the Foundation. Therefore, a number of significant tax and accounting issues may arise. The Foundation wants to ensure that donors to the fund are entitled to the appropriate tax deductions, in order to protect the fund-raising groups from unintended tax consequences to themselves, and to ensure that the Foundation is not exposed to penalties for failing to make proper solicitation disclosures.

These requirements are designed to protect donors as well as the groups raising money for a component fund at the Foundation. We appreciate your cooperation in fulfilling the following requirements.

Foundation Approval of Events

The Foundation requests that the fund-raising group: (i) publically disclose each program, event, or other effort to raise money for the fund, and (ii) obtain approval from the Foundation, in advance of such fund-raising endeavors. The fund-raising group will proceed in accordance with guidelines established

by the Foundation. Any use of the Foundation's name in advertising and promotional materials must be approved in advance by the Foundation. **All fund-raising materials should make clear, where applicable, that funds are being raised "on behalf of" rather than "by" the Foundation.**

Responsibilities of the Foundation

The responsibilities of the Foundation will include:

- The management of such money and property as it may accept into the component fund from donors and other contributors and sources;
- The application of income and principal to charitable uses, all in accordance with the governing documents of the Foundation;
- Providing appropriate acknowledgments to donors.

Responsibilities of the Fund-Raising Group

The fund-raising group will retain responsibility for all public fund-raising events and matters related to them, including:

- Payment of all costs and expenses;
- Compliance with laws;
- Reporting and other requirements of every kind, such as licensing, tax payment, and liability insurance (if applicable) covering the Foundation.

Payment of Expenses

The fund-raising group will be responsible for all expenses and will maintain appropriate financial controls and records related to fund-raising events, including a complete event budget. The fund-raising group should establish a mechanism, (such as a checking account) which will be used to satisfy all invoices and financial obligations connected to the fund-raising event. Sponsorships, pre-registrations and/ or lead gifts should be considered as a means to cover initial event expenses. Event contributions and income should be used, if possible, to satisfy all invoices and financial obligations connected to the event. **ONLY** the net proceeds (once ALL event obligations have been completely satisfied) should be transferred to the Foundation for inclusion into the charitable fund. In order to avoid potential tax consequences to a fund-raising individual from the establishment of a short-term checking pass-through account, the account should be non-interest bearing and completely depleted of event funds or closed once the transfer is made. A full and final accounting of event proceeds (sources and uses) must be provided including copies of invoices and receipts to the Foundation, as necessary, for proper IRS mandated record-keeping.

Designation of Checks and Receipt of Cash

Checks related to fund-raising events may be made payable to the component fund of the Foundation, as established through an event bank account. Checks made and submitted directly to the Community Foundation must be deposited in total; they may not be used to pay expenses. Following a fund-raising event, all proceeds

(including cash and checks) must be delivered to the Foundation, along with an accounting of all monies received.

Tax Requirements and Acknowledgments

The IRS has imposed strict requirements that impact fund-raising. The steps outlined below must be followed in order for donors to receive a tax deduction. Failure to adhere to the following rules may cause the fund-raising group to be taxed on the funds raised, and either the Foundation or the fund-raising group may be subject to an IRS penalty.

In order to claim a tax deduction for their contribution, donors who contribute \$250 or more will require a written acknowledgment from the Foundation or "sponsoring" public charity. The Foundation will provide the appropriate donor acknowledgments provided that the fund-raising group supplies the following necessary information:

1. The donors' complete name(s) and address(es);
2. The date and amount of the contribution;
3. Whether the contribution is in cash or property;
4. If property, 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 provided in exchange for the contribution. *Contributions of services, while appreciated, generally are not deductible.*

If the fund-raising group provides goods or services in exchange for a donation, certain disclosures must be made upon solicitation. For example, if the fund-raising group is sponsoring a dinner, then the donor can only deduct any excess of the ticket price above the fair market value of the dinner. This limitation on the deduction, known as a *quid pro quo* receipt, must be disclosed at the time of solicitation. Typically, event tickets are used to make this disclosure.

The *quid pro quo* receipt must set forth the value of goods and services received and should note that one's charitable deduction is limited to the excess of the contribution over the fair market value of such goods and services. The law calls for a penalty to be imposed on the charity if it does not provide these receipts.

The Foundation will assist fund-raising groups in determining fair market value amounts as well as the appropriate language related to disclosure if necessary. **It is the responsibility of the fund-raising group to ensure that the *quid pro quo* disclosures are made.**

Here are some examples of potential tax consequences as relates to fund-raising events or activities:

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

Rummage sale purchases are not tax deductible.

Auctions: Legal counsel for the Foundation shall review, on a case-by-case basis, any proposed ideas related to auctions. At that time, the tax deductibility of items will be determined.

Dinners: Among the concepts important for fund-raising groups to keep in mind are that: (i) dinners do have economic value that is generally more than nominal; (ii) **the fair market value of goods and services received (including dinners) is what must be disclosed, even if the items or services were in fact donated;** and (iii) contributions of services (legal, accounting, planning, etc.) are generally not tax deductible.

Liability Insurance and Liability for Losses

The fund-raising group will contact the Foundation prior to holding a fund-raising event to assess the need to secure liability insurance both for the group and for the Foundation. Insurance coverage must be reviewed and approved by the Foundation.

The fund-raising group will be responsible for all losses incurred that are related to events. The Foundation will not be held responsible for such losses. The Foundation may require the fund-raising group to purchase a letter of credit or provide a written personal guarantee if the Foundation deems it appropriate.

Solicitation of Charitable Funds Act

According to Connecticut's Solicitation of Charitable Funds Act, the following information must be available upon request at all fund-raising events:

1. The name of the charitable organization and the state in which it conducts business:

The Northwest Connecticut Community Foundation, Inc. STATE: Connecticut

2. A description of the purpose for solicitation:

The _____ Fund is a component fund of The Northwest Connecticut Community Foundation, Inc.

The _____ Fund of The Northwest Connecticut Community Foundation, Inc. is raising funds today for the purpose of

_____.

3. The place to direct inquiries:

*The Northwest Connecticut Community Foundation, Inc.
33 East Main Street
P.O. Box 1144
Torrington, CT 06790*

4. The amount of the contribution that is deductible as a charitable contribution by federal law:

It is vital to determine the value of any benefit received by the donor for his or her contribution. This amount is not deductible for federal tax purposes.

5. Notice that written financial statements may be obtained from The Northwest Connecticut Community Foundation, Inc.

6. Notice that: "A COPY OF THE OFFICIAL REGISTRATION AND FINANCIAL INFORMATION MAY BE OBTAINED FROM THE DEPARTMENT OF CONSUMER PROTECTION BY CALLING 1-860-808-5030 WITHIN THE STATE. REGISTRATION DOES NOT IMPLY ENDORSEMENT, APPROVAL, OR RECOMMENDATION BY THE STATE."



Application for Public Fund-Raising
Conducted on Behalf of
The Northwest Connecticut Community Foundation, Inc.

Applications should be received at least 90 days prior to a proposed event.

**Please mail application to:
The Northwest Connecticut
Community Foundation, Inc.
Attn: Public Fundraising
33 East Main Street
P.O. Box 1144 Torrington, CT 06790**

or by fax: 860-489-7517

Please answer the following and submit this application for approval by the Foundation:

Purpose of fund-raising event: _____

Description of event: _____

Location of event: _____

Group or individuals who will conduct fund-raising event, *including names of at least two individuals who will authorize expenditures:*

Contact person's name: _____

Address: _____

City/State/Zip: _____

Phone (home): _____ **Phone (work):** _____

Fax: _____ **E-mail:** _____

Fund-raising goal (amount you expect to raise): _____

Anticipated expenses: _____

Net proceeds expected: _____

Please **attach a detailed budget** for the event. List (including amounts) all known expected sources of revenue, as well as organizations, businesses, and individuals with whom liabilities (invoices) will be incurred.

Note: Unauthorized expenditures will be the responsibility of the fund-raising group.

Do any of the above-named individuals expect to gain monetarily from conducting the event? If so, please explain.

Do any of these persons have connections to a business that will benefit from the proposed event? If so, please explain.

Special requests or responsibilities of the Foundation?
