

## **The Knox County Foundation**

### **Donor Initiated Fundraising Policy**

When groups conduct fundraising activities and solicitations on behalf of The Knox County Foundation (The Foundation) component funds, a number of significant tax and accounting issues arise. For example, activities must be conducted under the Foundation's observation and fiscal guidance to ensure that donors to the fund are entitled to the appropriate tax deductions, to protect the fundraising groups from unintended tax consequences to themselves, and to determine that the Foundation is not exposed to penalties for failing to make required solicitation disclosures.

The guidelines in this policy are intended to support those efforts with respect to certain policies of the Foundation and/or the legal requirements that must be observed. Our goal is to help assure success while avoiding unintended tax consequences, adverse public perception, and legal liability.

#### **Foundation Approval of Events**

All public events require advance written approval (at least 30 days) from the Foundation. Before undertaking any such event, the fundraising group must submit a written proposal that includes the following information:

- **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 campaign or event and why the activity is sure to be a success.
- **Contact person:** This person will serve as the main source of communication between the foundation and the fundraising group. Please supply the contact person's name, address, phone number, and e-mail address. This will help facilitate the approval and acknowledgement processes.
- **Budget:** Attach an estimated budget for the fundraiser that includes projected revenue and a detailed list of projected expenses.

If the event is approved, the fundraising group will proceed in accordance with the Foundation's guidelines. All uses of the foundation's name in advertising and promotion must be approved in advance by the foundation. All fundraising materials should make clear, where applicable, that funds are being raised on ***behalf of rather than by the Foundation***. The Foundation may assess an administrative fee against the fund to defray the cost of additional services required by the fundraising event or solicitation.

#### **The Foundation's Responsibilities**

The Foundation will be responsible for:

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

## **The Fundraising Group's Responsibilities**

The fundraising group will retain responsibility for all public fundraising 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 covering the Foundation

## **Payment of Expenses**

The fundraising group will be responsible for all expenses and will maintain appropriate financial controls and records related to fundraising events. Expenses may be incurred only in accordance with the event budget that the Foundation has approved. Prior to the event it will be discussed whether the expenses will be paid through the component fund at the Foundation or directly by the group. You must provide copies of invoices and receipts to the Foundation so that we may fulfill our record keeping and reporting responsibilities. Keep in mind that if the fund in question is a donor advised fund, the Foundation cannot provide reimbursement of expenses to the fund's donors, advisors, and related persons. Where appropriate, the Foundation can provide tax acknowledgements allowing donors to deduct reasonable expenses incurred in connection with the fundraiser.

## **Designation of Checks and Receipt of Cash**

Checks related to the event must be made payable to the component fund of the Foundation. Cash receipts are to be deposited intact. That is, cash receipts may not be used to pay expenses, and then the net cash amount deposited. Within one week after the event, all proceeds, checks and cash, must be delivered to the Foundation along with an accounting of all monies received.

## **Tax Requirements and Acknowledgements**

Strict IRS requirements and state charitable solicitation laws impact any fundraising. If the steps outlined below are not taken, donors will be denied a tax deduction, members of the fundraising group might unexpectedly find themselves subject to tax on the funds they raise, and the fundraising group might be subjected to penalties.

Donors who contribute \$250 or more will need a written acknowledgement from the Foundation in order to claim a charitable deduction for the gift. The Foundation will provide the appropriate acknowledgement to donors only if it receives certain detailed information. Specifically, the fundraising group must provide the 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 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.

## **Special Considerations for Tax Deductibility**

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

If the fundraising group provides goods or services in exchange for a donation, certain disclosures are required. 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 event ticket is a typical method for making this disclosure.

The Foundation will work with the fundraising group in determining the fair market value amounts and the appropriate disclosure language for the event. The Foundation will have to work with the group prior to the solicitation activity and will need information pertaining to the event such as ticket prices and the value of the goods or services the donors will receive. Before acquiring items to sell, auction, raffle, or give-away, the fundraising group must obtain Foundation approval of the items. *In addition, the fundraising group needs to see that the required quid pro quo disclosures are made:*

- Raffle tickets are not deductible. This must be stated clearly on the face of distributed tickets.
- Rummage sale purchases are not deductible.
- Auctions: Foundation staff will review proposed ideas for auctions on a case-by-case basis and may seek the assistance of its legal counsel in doing so.
- Events (5ks, Golf Outings, Dinners, etc): Provide us with the value of the good or service you are offering (such as t-shirts, greens fees, and cost of meals). Only the amount in excess of the fair market value may be deductible to the donor.

## **Liability Insurance and Liability for Losses**

The fundraising group is responsible for obtaining and paying for any necessary insurance, permits, licenses, approvals, etc. Contact the Foundation prior to the event to assess the need to secure liability insurance covering members of the group and covering the foundation. The name of the Foundation or the fund must not appear on any contract or agreement. **Additionally, the fundraising group will be responsible for all losses incurred by the event. The Foundation will not be held responsible for such losses.**

## **Additional Information**

If you have additional questions or would like to further discuss a donor-initiated fundraiser, please contact:

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