



## DONOR-INITIATED FUNDRAISING POLICY

Core to the NP mission is promoting charitable giving. While we provide the charitable tools and fund administration to promote giving, NP does not have the capacity to operate fundraising events for its component funds.

In establishing a fund at NP, we recognize there may be times when you would like to organize a fundraising opportunity to benefit your fund. The IRS has developed strict requirements that impact any fundraising. We have developed this policy to ensure that your fundraising efforts (1) comply with regulations, (2) ensure that donors receive appropriate acknowledgments, and (3) protect the integrity of NP's nonprofit status and brand identity. This policy is an important resource and guide to ensure compliance with IRS regulations. NP staff are available to help Fundraising Groups and support compliance with these guidelines.

Fundraising can occur in a variety of forms. These guidelines cover, but are not limited to, the following fundraising scenario options:

1. Independent fundraising by an individual or group [not a 501(c)(3)] conducted on behalf of a fund where the event revenue and expenses are processed by Nonprofit Partners and the potential for tax deductions for the donor exist.
2. Independent fundraising by an individual or group [not a 501(c)(3)] for which donors are not offered a tax deduction.
3. Independent fundraising event or solicitation by a 501(c)(3) organization with proceeds to benefit a fund at Nonprofit Partners.
4. Direct, tax-deductible gifts to a fund.

### Scenario 1

**Independent fundraising by an individual or group [not a 501(c)(3)] conducted on behalf of fund where the event revenue and expenses are processed by NP and the potential for tax deductions for the donor exist.**



When Fundraising Groups conduct fundraising activities and solicitations on behalf of a Fund, fundraising is being done *on behalf of* NP. A number of tax and accounting issues arise, so it is important that these activities be conducted under NP's fiscal guidance. This will help to ensure that appropriate tax receipts are provided to donors, to protect Fundraising Groups from unintended tax consequences, and ensure that NP is not exposed to penalties for failure to make proper solicitation disclosures. Before undertaking fundraising events, the Fundraising Groups are requested to submit a Fundraising Event Summary to NP. This summary provides key information necessary for NP to effectively support a fundraising effort. Without this basic information in advance of a fundraising event, NP will not provide tax receipts for gifts received into a fund.

**Nonprofit Partners will be responsible for fiscal support and will:**

- maintain charitable solicitation status in Pennsylvania (additional states may be considered, with approval required by our executive committee);
- provide solicitation language to event organizers so this may be conveyed on promotional material to solicit participation in fundraising events;
- accept gifts (donations or event revenue) and provide appropriate gift acknowledgments and tax receipts to donors;
- process payment of all related fundraising costs and expenses to vendors, to the extent funds have been raised;
- process distribution of net income for charitable uses, in accordance with the fund agreement or governing documents of NP;
- provide insurance coverage for fundraising events.

**The Fundraising Group will be responsible for fundraising activities, and will:**

- submit at least six weeks prior to their event the Fundraising Event Summary (found online at [nonprofit-partners.org/forms-documents](http://nonprofit-partners.org/forms-documents)) form to NP to provide key details for an event;
- ensure the following solicitation language is included on event flyers or invitations to meet compliance with PA Dept. of State Business & Charities:
- "NP is a 501(c)(3) nonprofit organization and contributions are tax deductible to the fullest extent permitted by law. NP registration and financial information are available from PA



Dept. of State by calling 1-800-732-0999. Registration does not imply endorsement.”;

- ensure all fundraising material clearly states that fundraising is being done on behalf of NP rather than by NP;
- verify requirements of venue concerning insurance;
- disclose to NP if alcohol will be served for insurance purposes;
- comply with any ordinances or permit applications related to events in public locations;
- comply with state government food handling requirements when activities involve preparation/sale of food;
- verify event venue compliance, such as handicap accessibility; parking requirements; and venue liability requirements;
- comply with PA Department of Human Services Child Protective Services regulations ([www.KeepKidsSafe.pa.gov](http://www.KeepKidsSafe.pa.gov)) when organizing activities involving children under the age of 18;
- disclose tax deductible amount eligible on invitations or print material when the cost to participate is \$75 or more.

**In order for NP to properly acknowledge gift and donations directed to a fund from an event, the Fundraising Group will need to:**

- provide a projection (estimate) of the value of goods and services event participants may receive;
- direct event revenue to the component fund at NP;
- submit fundraising expenses for payment from the fund by NP (if expenses are paid by organizers, can only be reimbursed with evidence of receipt and invoice);
- maintain appropriate financial controls and records related to fundraising expenses;
- adhere to all relevant local, state and federal laws related to fundraising.

**Event Revenue**

All event revenue should flow through NP when:

- NP’s nonprofit status is relied on to promote the validity of the event;
- there is a need for NP to provide tax receipting for revenue or in-kind donations or activities related to the event;
- there is a need for NP to process event related expense payments.



Incoming checks related to the event must be made payable to the Fund Name or to “Nonprofit Partners” with the Fund Name noted in the memo area. Event revenue received in cash should be sent to NP intact. Cash contributions of this type will be listed as a various lump sum donation. If you would like us to provide tax receipts for cash gifts, a summary of the donor names and addresses must be provided. The event accounting should be delivered to NP within one week of the event.

Alternately, cash can also be deposited directly into a NP account held by Somerset Trust Company. It is the fund representative’s responsibility to complete the cash deposit form (*see page 8, Cash Deposit Form*) in its entirety and return to us with a copy of the deposit receipt from the bank within one week of making the deposit. Any outstanding deposits at the end of the month will be moved into our foundation distribution fund and will be subject to additional fees. It is the fund representative’s responsibility to monitor their online portal to ensure the deposit hits their fund and to contact us with any problems.

### **Payment of Expenses**

NP will process payment of fundraising expenses from event proceeds deposited into a Fund. NP will not pay any expenses in advance of collecting equivalent receipts, and will only cover expenses to the extent that event income exceeds those expenses. It is preferred to process expenses payable directly to the vendor. In cases where event expenses are paid directly by the Fundraising Group to vendors, reimbursement is only possible if the original invoice and a receipt confirming payment are submitted and approved by the fund representative. Note, donor advised funds are not eligible for expense reimbursement of any kind. When there is an expense payment for services rendered that will be issued directly to an individual, an LLC, a sole proprietorship, or an attorney, a completed W9 form will be required prior to any payment. For vendors who receive payments totaling \$600 or more in a fiscal year, a 1099 will be issued to the payee and to the IRS.

NP is exempt from paying PA sales tax (a separate distinction from being a charitable federally tax-exempt organization). In order to be eligible for state sales tax exemption, payments must be made to the vendor directly from your fund. Reimbursement payments are ineligible.



Invoices must be made out to “Nonprofit Partners,” not the name of your fund or an individual member of your group. Our exemption certificate can be provided to vendors by request.

NP will not be held liable for losses incurred (expenses exceed revenue) for an event.

### **Gift Acknowledgments and Tax Receipts**

NP will provide appropriate gift acknowledgments/tax receipts to donors when the following information is provided:

- The donor’s complete name and address;
- The date and amount of the contribution;
- The type of contribution, such as check, cash, in-kind.

When goods or services are provided to event participants, the tax-deductible portion of their participation fee will be adjusted for the cost of those goods or services. For example, if the cost to participate is \$50.00 and the participant receives a dinner or gift valued at \$25.00, the tax-deductible portion would be \$25.00. NP would provide an acknowledgment letter confirming the full amount of the contribution and specify the portion that would qualify as a tax-deductible gift.

NP is available to assist in determining the goods and services value and how to disclose that on any event marketing materials. If you are unable to provide the goods and services portion of your event participation/sponsorship fees and begin fundraising, NP will provide receipts that do not include acknowledgment of any charitable contribution.

### **Small Games of Chance**

NP is unable to secure a small games of chance license for the use of our component funds.

### **PLCB Special Occasion Permits**

NP is unable to secure special occasion permits from the PLCB for use by our component funds.



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

Events that raise funds on behalf of NP must be covered by insurance. NP has an umbrella policy for events where no alcohol is being served. The Fundraising Group is responsible to determine if a certificate of insurance is needed for the event venue and if there are any specific requests from the venue concerning insurance.

If alcohol will be served at your fundraising event, a supplemental event insurance policy including liquor liability must be obtained, at the cost of your fund. NP will secure the policy from our insurance carrier.

If the event organizer pursues liability insurance independently, NP should be listed as a certificate holder and an additional insured with a minimum of \$1 million coverage.

## **Scenario 2**

### **Independent fundraising by an individual or group [not a 501(c)(3)] for which donors are not offered a tax deduction.**

Fundraising may be conducted by an individual, a group of people, or an organization for the benefit of a Fund at NP and direct the net proceeds to a Fund. In this scenario, the donors will not receive a gift acknowledgment or tax receipt for participation. Generally, the person or group that plans and executes the fundraiser makes one lump sum donation (net of expenses) to the Fund. Unless the event is sponsored by a qualified charitable organization which accepts and acknowledges the contributions, the donor may not take a charitable tax deduction for the contribution.

### **Guidelines applicable to independent fundraising activities:**

- An individual or group that plans and executes a fundraising event may state that the net proceeds will benefit the general purpose of the Fund.
- The individual or group may not use NP's charitable tax-exempt number in connection with the event. Individual contributions made as a result of an event/solicitation will not qualify as a tax-deductible charitable gift to NP. Event organizers are 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 and authorized by the appropriate branch of government.

- Fundraising events often require certificates of insurance or signed contracts. When events are sponsored independent of NP, the name of NP or the Fund name should not appear on any contract or agreement.
- Individual participants in the event (ticket purchases, sponsors, golf players, etc.) make their payments to the organizing individual or group, not to NP or the Fund. The organizers may provide the contributors or participants a courtesy acknowledgment. The acknowledgment letter may not include any language stating that the letter serves as an official receipt for IRS purposes or include any reference to tax deductibility.
- Event organizers will pay all expense and send the net proceeds of the fundraiser to NP for the benefit of the Fund. The check may be made payable to the Fund Name or to “Nonprofit Partners” with the Fund Name noted in the memo area. Please note that NP is prohibited by law from reimbursing the event organizers for its expenses, therefore, the group must deduct its expenses before sending the net proceeds to NP.

## Scenario 3

### **Independent fundraising event or solicitation by a 501(c)(3) organization with proceeds to benefit an NP Fund.**

Fundraising Groups may make a gift of proceeds from the event or solicitation that is sponsored by a 501(c)(3) organization that has a Fund at NP for the benefit of that organization. Organizations with their own 501(c)(3) status may conduct a fundraising event or solicitation promoting their organization and deposit the net proceeds into the organization’s Fund at NP. The organization should issue its own acknowledgment letters to donors. In cases where gifts are sent directly to NP, NP will send a gift acknowledgment indicating the gift is tax deductible.

Organizations should ensure they are in compliance with all applicable IRS ([www.irs.gov](http://www.irs.gov)) and State of Pennsylvania laws and regulations regarding solicitation, acknowledgment, and tax deductibility of gifts ([www.dos.pa.gov](http://www.dos.pa.gov)).



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

When the fundraising activity is conducted by a group/organization with an EIN#, a certificate of insurance must be secured independent of NP's carrier policy. This may be done at the expense of the fund held by NP.

## **Scenario 4**

### **Direct, tax deductible gifts to an NP fund.**

You may promote your Fund through various forms of passive marketing including brochures, website, information sessions or a request of money through an appeal letter.

In response to those marketing efforts, a donor may make a gift directly to the Fund. In that case, the donor should make the check payable to the Fund Name or to Nonprofit Partners with the Fund Name noted in the memo area. NP can also accept gifts of cash, online credit card donations, securities and complex gifts. The donor will receive a gift acknowledgment letter from NP indicating that the gift is tax deductible.