Fundraising In the United States: How Your Organization Can Get Started

November 24, 2014

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- People to People Fundraising
- Nonprofit Guide to Going Green
- Nonprofit Internet Strategies
- Major Donors
- Fundraising on the Internet
CAF AMERICA and CAF CANADA

Are global organizations assisting corporations, foundations and individuals with their cross borderer philanthropy. We streamline the donor support process, while eliminating risk and administrative burden for the donor.

Through our work, we help donors support great causes around the world, by assisting them in making strategic, effective and tax-advantaged gifts both internationally and domestically.
For over 20 years CAF has been harnessing local knowledge and expertise to support sustainable giving around the world.
STEP ONE

**Become Eligible**

- Contact CAF America to begin the application process to become eligible to receive gifts from the USA. Your donors will then receive a USA tax-receipt for the gift and the gift can be advised directly to your organization.

- Fee: $500 USD to be pre-vetted or the fee can be paid by the donor as part of the advised gift.

**Once approved:**

“This organization has been vetted and approved to receive grants from CAF America; if you are an American donor wishing to make a tax-deductible contribution to support us, you may give to CAF America and recommend that the grant be made to (organization).”
INCREASE CHANCES

- No distributions to individuals
- No distributions for noncharitable purposes
- IRS FEE: 20% tax on CAF America for violations
INCREASE CHANCES

- NO loans, compensation or similar payment to the donor, advisor or related parties (repayment required) related to grant. **Penalty: 25% tax on donor**
- NO substantial return benefit to donor
  - Tickets, tuition credit, member dues, etc. Recognition for gifts can be OK
- **Penalty: 125% tax on donor**
• No candidate endorsements, contributions, in-kind assistance

• Ban any non-neutral expression of favoritism (e.g., voter guides, voter registration or mobilization, etc.)

• No highlighting candidate positions that exclusively agree/disagree with organization

• Do not support activities that provide candidates unequal speaking opportunities

• Do not fund activities that ask candidates to sign onto the organization’s “pledge”
• Relief of poverty, combating community deterioration
• Education, promotion of the arts
• Scientific research
• Combating prejudice, protecting human rights, helping disadvantaged
• Protecting the environment
• Lessening burdens of government
• Promotion of health (e.g., hospitals)
• Religious purposes
No substantial private benefit or commercial purpose—benefit to private parties must be incidental:

- Organization improving a public lake is charitable even if neighboring property owners are benefitted
- Community hospitals can be funded
- Private practices cannot
- Watch for close relationships with a related commercial entity
- Make sure benefits are designed to serve a charitable class
  (not an individual or small group, not businesses)
- Watch for organizations acting like a for-profit business
LOBBYING VS. ADVOCACY

- You must not fund activities that “attempt to influence legislation” at any level
- But you can seek to influence rules and regulations once laws are passed
- Do not fund communications with legislators, staff, or other officials, or encouraging the public to make such communications, for the purpose of influencing legislation
- You can fund advocacy for broad causes and issues
- Do not fund activities that directly advocate for/against legislation

Thank you to Caplin & Drysdale, Washington DC
• No agreement, oral or otherwise, that funds must go to predetermined recipient or to recipient of donor’s choice.

• You can direct donors, with details on how to make a gift, they cannot pledge it first.

• Must clearly inform donor that donor advised fund has ultimate discretion/control over funds – donor does not!
FOUR OPTIONS

1. Donor makes **one-off advised gift** from USA to Canadian charity

2. Donor establishes **donor advised fund** to move donations from USA to Canadian charity

3. Charity establishes a **Friends Fund** (virtual foundation)

4. Establish 501 (c) 3 organization in the USA
Single gifts are the perfect solution for US donors who want to give to a Canadian charity without establishing a Fund.

Donor Advised Gifts at CAF America are an excellent way to start a relationship between a USA Donor and a Canadian charitable organization.

**Details:** $500 USD minimum, 8% fee.

DONOR ADVISED FUND (DAF)

- Corporation, Foundation or Individual gives to a recognized public charity that manages the Fund (CAF America);
- Those with tax obligations can receive immediate tax benefits for contribution; Donor may advise or suggest but cannot direct, instruct, control, etc.
- Details: $5000 USD to establish fund, no minimum gift, 5% fee, based on 12 month volume of giving; fee can drop to 0.5%

WHY YOUR DONORS NEED DAF

Direct Gift = No Tax Benefits

Gift through a DAF = Tax-deductible contribution

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DONOR ADVISED FUND (DAF)

- Owned by a sponsoring public USA charity
- Separately tracked funds identified by reference to one or more specific donors
- Donors or their designees reasonably expect to have advisory privileges
- Can make distributions to multiple grantees
BENEFITS OF A DAF

- Donor can get a tax deduction now and give later
- Private foundations can make grants without exercising normal oversight
- Donor Advised Fund handles due diligence process
10% of the cost of establishing a US charitable entity; No minimum balance and able to accept unlimited donations of any size

Option to fund through online portal; ability to create a customed giving page.

No State or USA Government Reporting

Quarterly disbursements of total balance

Details: $1000 set-up; $2500 annual; Fees are 3%-5% based on size of gift.

Requirements and Best Practices

Complete enough to give a **reasonable person assurance** that the grantee will use the grant for proper purposes

- Identity and prior history and experience of grantee and its managers.
- Information about management and practices of grantee
- Prior successful completion of grants normally enough
- Rigor may depend on size of grant
Requirements and Best Practices

Must include certain terms & be signed by an officer:

- Specify use of funds, which must be charitable
- Prohibit lobbying, political campaign intervention, non-charitable activity
- Prohibit grants that would violate IRS section 4945 rules on individual travel/study/scholarship grants or ER requirements
- Require funds to be tracked in a separate account (does not require a separate bank account)
- Require access to files on request and written reports
Requirements and Best Practices

- Annual Narrative and Financial Reports
- Reports collected at end of each accounting period of the grantee
- Final cumulative reports at the end of grant period
- Must report on use of grant funds, progress toward goals, and compliance with grant terms

**IMPORTANT:** you must not make additional grants when reports are outstanding or if there are unresolved concerns raised over use of funds or compliance;

**IMPORTANT:** you must make reasonable efforts to obtain reports
When a report indicates funds have been misspent:

- Grantmaker must try to get funds restored / returned
- Must withhold further grants until special measures in place to avoid future misuses

Normally, IRS requires a summary report on each ER grant indicating purpose of grant, name and address of grantee, dates of reports received, amounts expended by grantee (per report), and information about any diversions / verification efforts.

This is not required yet on the Form 990, but IRS has indicated informally that orgs should maintain this information.
Private foundation ER rules require grantee to agree not to make any grants that a grant maker couldn’t make itself.

- If grantee will regrant to organizations, you need to require the grantee to exercise expenditure responsibility as grant maker would (or as the grantee would or both?).
- It is less clear how regrants to individuals would work—conservative view is that grantee’s individual grant procedures would need to meet Private Foundation requirements, including IRS preapproval.
SCHOLARSHIPS

- IRS tracks a long history of abuse.
  - “Donations” in lieu of tuition payments
  - Grants for junkets or no charitable activity at all
- Do not grant directly from a DAF scholarship awards (or any other awards) to individuals
- Equivalency Determination grants to charities for scholarships are OK, so long as grantee selects recipients “completely independently”
  - No grantee rep or donor/advisor rep on selection committee
  - No non-charitable constraints (e.g., requirement that only corporate executive children need apply)
CREATE 501 c 3 in USA

- Very expensive, you will need to get an attorney.
- Must maintain separate board of directors, audited financial reports.
- Must register in up to 40 USA states to gain permission to solicit gifts.
- Annual disclosure and reporting to all states you register in and the USA Government (IRS).
- **Details:** Estimates are a minimum of $20,000 to create; $10-15,000 to maintain.
SUMMARY and QUESTIONS?
Serving Corporations, Foundations, Families and Individuals

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