

## FUNDRAISING EVENTS – A GUIDE TO THE RULES

Fundraising events often are the heart of raising money for charitable causes. Many of the charitable funds under our charitable umbrella hold events – without the hassles associated with reporting requirements established by California and the IRS. This guide is designed to familiarize you and your group of volunteers about what rules affect your fundraising efforts, as well as let you know what we need to properly report the results of your work.

It is important to understand that, for tax and liability purposes, such fundraising is being done under the North Valley Community Foundation (“Foundation”). We appreciate your cooperation in fulfilling the following requirements which were designed to protect fundraising participants, donors, and the Foundation. Questions regarding any aspect of fundraising are welcome!

### **I. General fundraising requirements**

A. Foundation must be notified at least 30 days in advance of any planned fundraising activity or event in order to provide appropriate insurance coverage and approval of allowed functions, including the Foundation being named as an additional insured in certain situations. An appropriate questionnaire provided by the Foundation must be completed and submitted by the Fund Advisor(s). Notification and approval by Foundation includes sale of products (including auctions) and raffles. This is accomplished by going to [www.nvcf.org](http://www.nvcf.org) and clicking on the ‘Advisor Portal’ tab at the top. Then click on the ‘Use Your Fund’ box and then the ‘Event Request Form’ in the ‘Hosting Events’ box. Or simply click here <https://www.nvcf.org/use-your-fund>.

B. The Fund Advisor(s) shall provide an accurate list of all steering committee members and volunteers in leadership positions, including their contact information, prior to conducting any fundraising event and shall update the list per event.

C. Any expenditure related to fundraising activities may only be committed to if there is the ability to pay it from the Fund. Any debts or liabilities incurred beyond the Fund balance shall be the responsibility of the Fund Advisor(s). The NVCF Event Request Form is attached for Fund Advisor(s) to review and initial.

D. Bank or investment accounts, lines of credit, or credit cards may not be established in the name of the Fund.

E. Any contracts or agreements (facility and other rentals, catering, entertainment, etc.) must be approved by the Foundation before signing. Otherwise, the person signing can be held liable for breach of the terms in the contract or agreement.

F. Only independent contractors may be utilized in conjunction with services provided to a fundraising activity. Approval of an agreement with an independent contractor shall be obtained from Foundation before services are provided in order to verify that such services would not be classified as being provided by an employee.

G. Advertisements of events or solicitations of donations shall be approved in advance by the Foundation and shall include a notation that the Fund is under the North Valley Community Foundation, a 501(c)(3) charitable organization. The Foundation shall also be included on any mail or email list, including distributions through social media.

H. Volunteers must sign a standard volunteer indemnification and release form, to be made available upon request to the Foundation.

## **II. Handling of checks and cash receipts**

A. All money raised through such events shall be paid directly or delivered to the Foundation and credited to the Fund. Checks shall be made payable to North Valley Community Foundation with a notation of the Fund name. We no longer accept cash receipts. We ask the Fund Advisor to exchange cash for a money order or cashier's check. Checks, money orders, and cashier's checks must be delivered with an accounting of all monies received by category within one week. That is, cash receipts are not to be used to pay expenses, and then the net cash amount deposited. All proceeds, checks and cash, must be delivered to the Foundation along with an accounting of all monies received within one week after the fundraising event.

B. All receipts shall be segregated by categories such as event entrance fees, tickets for dinner or entertainment events, purchases of products such as event shirts, purchase of auction items, etc. Sales of products are subject to payment of sales tax by the Fund to the Foundation for inclusion in the Foundation's filing of sales tax returns.

C. Payments by credit card at the event shall be processed through an NVCF PayPal account provided by the Foundation. Each payment must include a description of the purchase. A separate sheet shall be maintained to record and summarize the types of purchases made via credit card.

## **III. Disclosures - Information that must be provided to event participants – IRS requirements**

A. A written disclosure statement must be provided to donors of a quid pro quo contribution in excess of \$75. A *quid pro quo contribution* is a payment made to by a donor partly as a contribution and partly for goods or services provided to the donor by the event. For example, if a donor gives \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable contribution portion of the payment is \$60. Even though the part of the payment available for deduction does not exceed \$75, a disclosure statement must be provided because the donor's payment (quid pro quo contribution) exceeds \$75. The required written disclosure statement must:

1. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charity, and

2. Provide the donor with a good faith estimate of the value of the goods or services that the donor received.

3. The fund must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when the associated contribution is actually received.

### **B. Event activities which require disclosure – examples**

1. Entry ticket prices to dinners, lunches, breakfasts, performances, golf tournaments, etc. are subject to the disclosure requirement. This should be disclosed on the ticket sold if one is used (the easiest way). Otherwise, when an attendee checks in at the event, they need to be given a disclosure statement in the form shown below.

2. Live and silent auctions need to indicate the estimated value of the items being sold. Our spreadsheet provides a column to show fair market value of each item in the auction.

3. If any other activity is contemplated where a donor receives something that is valued at less than the price paid, please consult with the Foundation for a determination of required disclosures.

C. What we need from you: Written documentation of the disclosures provided to participants for each activity at the event.

D. Suggested disclosure form:

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#### DISCLOSURE NOTICE REGARDING CHARITABLE CONTRIBUTION DEDUCTIONS

To our event participants – please note: The contribution that is deductible for federal income tax purposes is limited to the excess of any money paid by you over the value of goods or services provided by us at the event. This includes tickets, entry fees, auction items, etc.

Name of event activity:

Date of activity:

Amount of payment from participant:

Estimated value of goods or services provided:

Other information (e.g. auction item number):

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#### **IV. Sales Tax – when does it apply? Accurate record keeping is essential!**

A. Sale of tangible items (shirts, caps, books, etc.) are taxable

B. Sale of food at fundraising events such as fun runs:

1. Sale of food to go – tax applies to hot prepared foods (with exceptions) – candy, cookies, water, cold sandwiches not taxable (with exceptions)

2. Sale of food for on-site consumption – taxable unless buyer won't eat on-site (whole pies sold)

C. Special events involving food, meals, or refreshments

1. Meals served at event – taxable when you serve the meals – not taxable when another business serves meals (catered event)

2. Tickets sold to participate when meals are taxable (not catered) – entire ticket charge is taxable unless:

(a) taxable charges listed separately on tickets; and

(b) separate records are kept of taxable and nontaxable charges

Note: Tickets sold but not used are not subject to sales tax – keep good records!

Suggestion: Even if ticket price is for attending and meal is catered, put price of meal charged by caterer on the ticket – this gives the ticket purchaser the amount of charitable deduction (ticket price less value of meal received). See also the disclosure requirements above.

D. Items sold at events through live or silent auctions – if the item purchased is a tangible item (set of golf clubs, paintings, potted plants, gift baskets, etc.), the purchase price is taxable – if the item is intangible (gift certificates, airplane ride, use of a cabin, rounds of golf, etc.) the purchase price is not taxable.

#### E. Sales Tax – what we need from you

Details of any and all items sold at the fundraising event! We will take care of reporting the sales of taxable items for you and charge your fund for the sales tax expense. But if we don't get accurate information, our default position is to report all proceeds as taxable and charged to the Fund.

Use the spreadsheets provided to give us the detail needed and attach substantiation for each category of proceeds received.

Questions regarding sales tax? These are very general rules. Detailed rules are in Publication 18 put out by the California Department of Tax and Fee Administration – go to <http://www.cdfta.ca.gov/formspubs/pub18.pdf>.

#### **V. Raffles – very specific laws**

A. Registration of raffles is required by the California Attorney General's office. We have done the registration but need you to comply with the rules (laws). There is a specific law (Penal Code section 320.5) that allows charities to put on raffles under very specific conditions. The most important ones are as follows:

1. We must approve any raffles and need at least 60 days advanced notice of the date the raffle begins along with specific information regarding the raffle. See below for what we need.

2. No internet sales are allowed. You can advertise the raffle online, but sales must be conducted face to face.

3. 90% or more of raffle ticket sales must be used for charitable purposes or distributed to a charitable organization to be used for charitable purposes within California. In other words, no more than 10% of raffle ticket sale proceeds can be used for expenses related to the conduct of the raffle. Because of this rule, raffle prizes cannot be purchased by you – they need to be donated. This also means that 50/50 raffles are illegal.

4. Results of raffles must be reported to the Attorney General's office. Keep good records!

#### B. Raffles – what we need from you

We need details of the raffle – when does it start and end, what is the cost for tickets including reduced per ticket cost for multiple tickets purchased, where will tickets be sold, and what are the prizes.

You need to keep track of the number of tickets sold and provide us with total gross proceeds from ticket sales. You also need to provide specific information on any expenses paid from the sale proceeds. If there were raffle costs paid from sources other than sale proceeds, we need to know the amount and source of those costs.

Finally, we need to know what the raffle proceeds are used for or the charitable organization that receives proceeds.