FUNDAMENTALS OF MODERN NONPROFIT
501 (C)(3) ORGANIZATIONS

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CHAPTER I
THE MAKING OF A NONPROFIT ORGANIZATION

Introduction

According to Peter F. Drucker generally acknowledged as one of the most influential people writing about nonprofit management in the 20th century, the purpose of charitable organizations is to bring about change in individuals and in society. This thesis will examine the issues related to incorporating a nonprofit entity, securing federal charitable tax deductible status, and finally to examine charitable fund-raising, financial accountability and creating sophisticated methods of developing major donors.


Incorporating a Nonprofit Organization

Any organization may be incorporated as a nonprofit organization as long as it meets the standards for that designation in the state in which the corporation exists. The basic requirements are the following:

- that the organization file articles of incorporation, which outline the location and primary function of the organization, with the state Attorney General
- a set of bylaws that establish how the corporation will function
and, proof of the establishment of a board of directors—usually no fewer than three people who function as President, Secretary, and Treasurer.

What makes a nonprofit corporation different from any for-profit corporation is not that it cannot make a profit, but that no individual can profit from the nonprofit entity as an investment. While salaries can be paid to individuals who perform professional services for a nonprofit organization, all profit must finally serve the mission of the organization.

The incorporation of a nonprofit organization does not automatically classify it as a charitable organization. That designation is awarded by the Internal Revenue Service which requires that the corporation meet other requirements.

IRS Section 501 (c)(3)

The requirements of the Federal Internal Revenue Service (IRS) designation of a charitable organization are laid out in section 501(c)(3) of the Internal Revenue Code. To receive this designation, the organization must first meet the requirements to be incorporated as a nonprofit at the state level; but an additional set of standards must be met as well. The IRS demands that nonprofit charitable organizations (NPOs) be organized and exist to provide services or programs that can benefit others. The U.S. Tax Code limits 501(c)(3) status to the following:

Corporations and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals (Wikipedia.org: http://en.wikipedia.org/wiki/501(c)(3)#501.28c.29.283.29).
The advantage of 501(c)(3) status is that these organizations are granted exemption from the federal income tax, that charitable donations from individuals or corporations are tax deductible for the donors up to an amount established by law and related to the donor’s income. (501(c)(3)s are also eligible to receive grants from foundations and government agencies. Other advantages include special postal rates and exemption from paying sales tax. In return for this designation, NPOs must meet a rigorous set of standards.

The Mission – A Clear Understanding of Purpose

All NPOs must function in accordance with a stated mission established by the organization in its Articles of Incorporation. The mission should be a clear and concise statement of the nonprofit organization’s core purpose, and the population it seeks to serve. The IRS requires 501(c)(3) NPOs to do the good of the community. In order to be eligible for 501(c)(3) status, the mission must demonstrate that the organization fills a need in a specific community, that the services or products of the organization are offered to that community without discrimination, and that these services are not provided by other city, state, or federal agencies. There must also be evidence of broad support for the organization within the community. This support may be demonstrated by individual contributions, or by foundation or government grants which are evidence in themselves of community support.

Meeting its mission does not replace an organization’s financial responsibility, but making money cannot be its sole reason for existence. In reality, all (501)(c)(3) corporations have two missions—the one that is measured by the “good” done in the
community, and the other measured by generating sufficient resources to keep the organization going.

Governance – The Board of Directors

All corporations are required by law to have boards of directors. Unlike directors of for-profit corporations who are compensated for their service, directors of NPOs serve without pay. They are elected or appointed as a body according to the organization’s bylaws, which also determines such things as length of terms. They oversee the operation of activities related to the mission. While they are responsible for the financial health of the organization, they must understand that the mission cannot be compromised without risking losing 501(c)(3) status. An effective board should represent the diversity of the community which the organization serves. Not only does a diverse board provide important connections to the community, it expands the range of ideas brought to the organization to help it carry out its mission. The responsibilities of the board and its board members vary with the type of nonprofit organizations and what has been established by the organization’s bylaws. The specific responsibilities, both legal and ethical, which every nonprofit board member must accept will be discussed in a later chapter.

The Standards of Excellences

Because nonprofit organizations work for the good of the public, and are supported by charitable contributions, it is essential that high ethical, moral, and business standards be maintained. These standards and the public’s perception that the
organization has high standards have become increasingly important in recent years. In Ohio, for instance, The Ohio Association of Nonprofit Organizations (OANO), an organization committed to supporting and holding nonprofit organizations to ethical and accountable practices has created a set of guidelines and standards—“The Standards of Excellence”—that outline eight guiding principles as well as fifty-eight standards of excellence for charitable institutions. Membership in this organization and adherence to its standards help to assure the public of institutional integrity, accountability, honesty, reliability, and trustworthiness.

Nonprofit Management

Nonprofit management in general can summed up as the acquisition of funds, the allocation of resources, the tracking of financial performance, the management of vital functions for the organization's events and activities. While the primary function of boards of directors is to fill a governance function, in small or young organizations, directors may also be involved in day-to-day management. At the very least, the board is responsible for hiring the senior managers and monitoring the effectiveness of these people.

Though NPOs are mission-driven, functions such as resource management, financial management, strategic planning, record keeping, personnel management, and developing a stream of earned income are identical to those found in for-profit management. The areas, in which nonprofit management is distinct, particularly nonprofit arts management, include the unique areas of artistic management, the development of sources of contributed income, and often the management of volunteers. An NPO is faced
with the same challenge of any business to establish and maintain a talented and committed workforce, either paid or volunteer, that can effectively implement the mission of the organization.

The subject of artistic management is complex. The relationship between the artist and the business manage is sometimes conflicted. It is the function of the “artistic” director to create programs or products which support the mission in an arts organization. The goal of management is to make sure the resources are in place to make these programs possible. In healthy organizations there is a healthy tension between these two branches. When tension grows so great that there is animosity, the organization is put in jeopardy. The public perception of a unified organizational commitment to the goals is critical to the development of relationships within the community which make the solicitation of contributed income possible.

Developing sources of contributed income is the cultivation of people who care about the mission of an NPO, and who are convinced that the organization is well managed and provides a service (a product, an experience, an educational opportunity) in a uniquely successful way. This is accomplished through a combination of good programming, good management, and the successful development and management of a public perception that this is a cause worth supporting.

The effective recruitment and management of volunteers is unique to nonprofit organizations. Most NPOs would struggle or could not exist without the help of the volunteers. Volunteers believe in the mission of the organization and work for benefits that are not financial. Whether motivated by a commitment to the mission, the desire to
“do good,” or the comfort of becoming a part of a community, these people work for intangible rewards. They want the organization to succeed and no nonprofit arts organization can afford to be inept in the management of this great resource.
CHAPTER II

THE BOARD OF A NONPROFIT ORGANIZATION

The Board of Directors

The board of directors or trustees is the governing body of every NPO. It is formed no later than at the incorporation of an organization and is ethically the body responsible for maintaining the mission of the organization. Legally it is responsible to be the primary caretaker of the organization, making sure that it abides by all laws, especially those that relate to 501(C)(3) organizations. Although charitable organizations are responsible to the public, it is up to the board to create in the organization a transparent environment for everyone including not only the public, but government sectors and media as well.

An NPO board should be comprised of individuals who are personally committed to the mission of the organization. It should also be representative of the diversity of the community the organization serves. Board diversity provides a better flow of information, both to the community and to the organization; and enriches the unique variety in programming, projects, and events that the organization can provide. Often members of a board are selected because they have professional expertise that is useful to the board or to the NPO itself. Diversity of expertise can make a board more effective in accomplishing the NPOs mission.
The business of the board, as well as its operational procedures, is determined by the powers, duties, and responsibilities it establishes in its own bylaws, which also must be presented at the time of incorporation. The board acts on behalf of the organization and usually chooses and elects its members. Occasionally board members may be appointed—particularly in the case of organizations closely allied to government entities.

Board members are volunteers receiving no financial compensation, serving for other reasons—ideally because they have passion for the work of the organization, but also possibly because serving on boards is perceived as doing “good,” and brings people into contact with others who share their commitment to the organization or to the community.

Responsibilities of the Board

A board of directors has a variety of responsibilities. Some are legally binding, and some are simply a matter of good management. Those that are legally binding fall under the umbrella of the term Due Diligence. This term is legally vague, but generally implies that board members will act in such a way that decision they make for the NPO reflect what they would reasonably do on their own behalf.

The summary of the elements of board member Due Diligence are listed below:
Board members must function as an independent decision-making entity which acts in the best interest of the organization.

- Board members must take “reasonable care” making decisions for the organization, which implies active participation on the board and seeking knowledge necessary to make decisions.
• Board members must excuse themselves or resign when a conflict of interest arises.

• The board should be aware of the day to day management of the NPO.

• The board must accept financial responsibility for the NPO, which involves budget approval, and financial management.

• The board has the responsibility to make sure accurate financial records are maintained.

• Board members must be capable of interpreting the organization’s financial statements.

• The board has the responsibility to be aware of the laws and regulations that apply to the NPO, and make sure the organization is in compliance with those requirements.

• The board has the responsibility for being aware of all the new and existing tax laws that affect the NPO and its nonprofit status.

• The board should have a working knowledge any contractual obligation into which the NPO enters.

• The board must also understand all Human Resource activity and management practices.

• The board must maintain a record of minutes of its meetings.

While this is a long list of responsibilities, the concept of Due Diligence is not to make being a voluntary NPO board member a difficult task. It is to make sure that board members recognize the responsibilities of taking on such a task. The key to the concept
of Due Diligence has to do with the concept of “reasonable” responsibility by people who may not be experts in any aspect of board work.

From a management standpoint, a board of directors is its own entity and is in charge of running its own operations. Some boards are very involved in operations. Some stick to leadership rather than management. But all boards should evaluate themselves in regard to board performance. They are responsible for the selection of new members and ideally will establish goals and expectations for their own memberships. These expectations could include participation in committees, fund raising, or planned events. They may include a minimum personal financial commitment.

The board of directors also should work with and cooperate with professional staff. It should participate in planning events, programming and activities related to fulfilling the mission of the organization. The board should define goals related to the mission of the organization. It should evaluate the success of events and the financial status of the organization at each meeting. The board should also work with staff in establishing policies for management, fund-raising, and personnel. The board is responsible for assessing and approving the organization’s annual budget. Periodic assessment of the organization’s overall financial performance in relation to the budget is important for the board to follow to assure the stability of the organization.

The members of a board have a responsibility to meet frequently as needed. In today’s age of information, boards may choose to hold some meetings online through conference videos or through popular webinars, though these should not replace all meetings in person. Board policy also should address the importance of attendance and
participation. In some cases organizational bylaws address this issue and the implications of failing meet attendance quotas. A written record of all board meetings should be presented to members, approved, and maintained. These records are essential if issues relating to Due Diligence should ever be raised.

The board of directors should work and act in the best interest of the organization. Board members, who are self-serving, possibly using the organization for personal gain, violate their legal responsibilities and threaten the nonprofit status of the organization. The board should have policies in place to prevent or to handle any appearance of conflicts of interest. A part of this responsibility is to make sure that new board members are made aware of this legal issue. Working in the best interest of an organization also includes representing the company in the best way possible. Even the perception of conflicts of interest can jeopardize that responsibility.

The Ohio Association of Nonprofit Organizations provides the following sixteen point summary of the management responsibilities of a board of directors:

1.) Creating or updating the Mission Statement
2.) Defining and approving programs and services
3.) Setting policy
4.) Hiring and monitoring the work of senior management
5.) Monitoring the effectiveness of professional staff
6.) Engaging in strategic planning
7.) Approving the annual budget and annual report
8.) Monitoring financial activities
9.) Making sure that the organization is in compliance with all laws and reporting requirements

10.) Fund-raising

11.) Serving as advocates for the organization

12.) Documenting and keeping records of the board minutes

13.) Governing themselves and electing officers for the board

14.) Replacing members when vacancy arises in the board

15.) Acting as an independent decision-making entity working in the best interest of the organization, including taking precautions against self-interest, or the appearance of self-interest

16.) Attending meetings

*The Ohio Association of Nonprofit Organizations (OANO) - http://www.oano.org/Standards2.asp?page=COMPSTAN

The Bylaws of a Nonprofit

The Bylaws of the organization define the operation of the board of directors. The Bylaws present policies and procedures that defines the organization, the makeup of the board, the procedure for electing members and officers, term limitations, and even frequency of meetings. The Bylaws also establish rules, regulations, and policies that are related to the organization’s day to day operation, the budgeting, financial management, periodic accounting audits, and, if appropriate, the use of endowment funds. Bylaws may be amended, and the rules and policy for amendment should also be stated in the bylaws of the organization. This document should be simple enough that it doesn’t create a
cumbersome system of policies. It should establish a set of guidelines thorough enough that day-to-day responsibilities and procedures of the Nonprofit Organization are clear.

The daily operations of a Nonprofit Organization may or may not involve board members. The activity within the organization should be for or related to the mission of the organization. Activities that deviate from the mission or conflict with the Bylaws of the organization are ultimately a concern of the board. All legal responsibilities of the NPO apply to the board and the members of the board. The board of directors is the umbrella of the organization to see that stays within all legal statues of the community it serves and the state in which it resides. The actions of the organization must be properly monitored by the board of directors in all avenues related to the business or non-business of the NPO.
Nonprofit Operations

Every nonprofit charitable organization should operate with high ethical, moral, and business standards. NPOs are dependent on their communities for financial support both in terms of earned revenue and charitable contributions. There are certain expectations of the Nonprofit Organization, certain standards of behavior in the business community that the organization must maintain. Mismanagement in a Nonprofit Organization, or even the public perception of mismanagement can have an immediate and devastating effect on the public trust, and consequently in public support for the organization.

It is desirable to establish and maintain a high standard of operation that follow strictly to local, state and federal laws as well as the bylaws of the organization. The personal standards of the organization need to maintain and follow the Standards of Excellence that has been established by their State Government. This includes the board of directors, administration staff and volunteers.

The NPO needs to meet the benchmark standards of excellence to confirm to the public that the organization abides by established standards regarding to integrity, accountability, honesty, reliability, and trust in the organization.

Financial Control

Internal financial control for all nonprofit organizations should conform to established accounting procedures and practices. The Board is ultimately the responsible to authorize and monitor a set of accounting procedures on the management of the finances of the Nonprofit Organization. The Board will also establish guidelines and rules on how various activities are carried out by the NPO administration. The Board Treasurer will coordinate, evaluate, and distribute financial reports for board action or approval. If the organization undergoes external audits, and most organization receiving foundation grants must have regular audits, a system of controlling both income and expenditures approved by the auditors will be required.

The revenues that the Organization takes in are derived from earned income, voluntary contributions, grants, and other nonreciprocal transfers. All charitable donations are given without the donor expecting a return for goods or services, although contributions are tax deductible to the extent the law allows. In many cases charitable funds are contributed for specific purposes. Without careful control, there is a possibility of misappropriation of assets and other incidences that may cause loss or embarrassment to the NPO. The importance of keeping accurate records is both a legal and sound management practice.
A brief list of common accounting procedures and issues follows:

- Accurate records must be kept of all journals and ledgers, including electronic documents.
- When dealing with public funds, records must show that all of the money was or is to be used for the mission and the operational expense to achieve the mission.
- Financial records must be kept which is the proof of compliance with nonprofit tax law.
- Collection of funds should be under the control of two people.
- There should be more than one person involved in every transaction to avoid real or perceived misuse of funds.
- A system of numerical codes should be used to track income and expenses.
- All checks made out the organization should be stamped or endorsed when the donation or monies are received.
- All funds and transactions should be recorded and deposits made daily to a bank or armored car service.
- Someone other than the person in charge of accounting and record-keeping for the NPO should be responsible for deposits of funds.
- Bank statements should be reviewed each month by a senior administrator and by a board member.

These procedures provide a financial record that protects the organization and its employees from charges that funds have been misused. The growing number of
organizations receiving contributions in the forms of automatic deductions from a donor bank account or web donations has created technical challenges to nonprofit organizations, but has actually reduced recording errors and cut down on the administrative time it takes to process and record contributions.

**Nonprofit Personnel Staffing**

Nonprofit organizations face the same challenges to establish and maintain a talented and committed workforce that any business faces. An NPO must rely on its staff for developing and executing strategies to advance the goals of the organization. Education and experience are essential for good staff members. So are ethical standards. But no less important is a passion for the mission and the ability to excite interest in the mission in others.

A sound personnel structure reflects the critical functions of the organization—whether those functions are current, or are anticipated initiatives. Of course, it will also reflect the financial resources available to devote to salaries. Salaries can influence or retain top talent which an organization should strive for. Top talent running an NPO can also create influence, strength and keep a strong fund-raising program in place. Attracting and keeping capable staff is particularly important in the area of high end fund-raising, where success is built on confidence and relationships.

**Volunteers**

The personnel management challenge that is unique to most NPOs is the result of volunteers who work on a regular basis. While it is important to have paid professional
staff members qualified to run and manage an NPO, it is also true that volunteers are often the life-blood of charitable organizations, whether they serve in the leadership capacity as board members, or volunteer a few hours a month to perform what may appear to be mundane tasks. NPOs would struggle or could not exist without the help of the volunteers who believe in the mission of the organization enough to work without financial reward.

The value of well trained and knowledgeable volunteers is greater than the value of the tasks they perform. Good volunteers are advocates in the community, and their good opinion of an organization is often more persuasive that any official message sent out by the organization. It is also true that many people who become major donors to organizations had their initial contact as volunteers. Nonetheless, the strategic management of volunteers is often the least well developed area of a management structure.

Peter Drucker said of employees of an organization: “People decisions are the ultimate – perhaps the only - control of the organization. People determine the performance capacity of an organization. No organization can do better than the people it has.”


This statement is doubly true of managing volunteers. While it is important to honor volunteers, an even greater motivator is the feeling that one is making a difference for the organization.
CHAPTER IV
FUND-RAISING AND FINANCIAL ISSUES

Budgeting

Key to attracting major contributions to any organization is the demonstration of careful financial planning. The budget is the financial plan for the next fiscal year of the organization. The plan will specify how much money an organization needs to spend versus what it thinks it will bring in through earned and contributed income financially. Creating a budget is an annual challenge for all nonprofit organizations. The budget is a plan of operation designed to achieve the goals and objectives of the organization throughout the year. The annual process of budgeting involves strategically looking at the mission, goals and objectives of the organization relative to the potential for raising earned and contributed income.

The task of making a budget is primarily a management function, but the responsibility for approving the budget and monitoring financial matters ultimately comes back to the board of directors. It is essential that board members are provided with accurate the information they need and understand the budget they approve.

An approved budget is only a plan. It is subject to change relative to unanticipated financial situations. Therefore, the management of the budget involves regular analysis of financial statements to see if the budget reflects reality. Financial management of the
budget involves careful monitoring, and making changes if necessary. Account variances can result in decisions to be made to adjust the budget for constraints or put away in a certain account for a surplus for the future. Comparing results can also help to prevent the risk of misappropriation of funds for the organization.

Financial Record Keeping

The importance of keeping accurate records is both a legal and sound management practice. NPOs are required to maintain accurate records of all journals and ledgers. It is the NPO’s responsibility, when dealing with public funds, that the records show that all income was or is to be used for the mission and the operational expense to achieve the mission. The financial records are the main proof in maintaining the nonprofit status for the organization. They are also essential in demonstrating careful financial management policies and procedures to potential donors.

Nonprofit Contributed Income

In recent years nonprofits have struggled to generate contributed income; but the recession of 2009 has resulted in declining financial government support, declining funds available from foundation stock portfolios, and declining public support made worse by increased employment. Many NPOs have cut programming and staff. Many have gone out of business altogether. The organizations that are best prepared to augment earned income with effective programs of developing individual charitable donors as well as foundation, corporate, and governmental support have always been in the best position to thrive. This has never been truer than it is today. This remainder of this thesis is
particularly focused on the development of individual donors, and specifically high end donors who may be in a position to make sustaining contributions to the charities they support.

Annual Fund-raising

Every organization is faced with balancing its budget each year. In fact, presenting a balanced budget is often usually a condition of receiving foundation and government support. Annual campaigns involve the development of donor commitments, through membership and other fund-raising methods, to provide the necessary means to fund the organization’s administrative and operational costs as well as subsidizing the price to the public of the mission driven programming. The campaign money can also be used for events and programming, depending on what is determined by the administration and the board of directors.

Securing annual funds involves strategic development of fund-raising campaigns, grant proposals, and special events. The annual campaign is every organization’s basic fund-raising challenge, targeting not only previous donors, but also developing new donors. Until a stable core of dependable donors has been developed, an organization is not ready to embark on larger efforts such as capital campaigns or the development of an endowment—or the cultivation of major donors who may be able and willing to be involved in more sophisticated kinds of contributions than the usual ones of cash, stock, or real items.

An annual campaign strategy is developed through careful planning and goals set for the organization that year. An organization must carefully define and determine trends
in their philanthropic environment each every year, particularly in times of economic upheaval. The organization needs to target not only previous donors but also to capture new donors.

Donor Cultivation

At its most basic level, donor cultivation is the result of people being aware of, interested in, and impressed by a charitable organization and its programs. All of the efforts to create a stable and well-run organization support the image of the organization in the community, and encourage potential donors to support and sustain it. Successful marketing of an organization’s programs is the first step in developing a donor base. Through standard marketing research techniques, a target market can be identified. In the arts, ticket purchasers, or exhibition attendees make the best potential group for fundraising. Developing a large base of stakeholders—people who have an active interest in the organization—the potential donor base is stabilized and potentially increased. One thing every donor has in common is an interest and trust in the organization.

The organization’s relationship with current donors should be given the highest level of attention. A system of data collection and record keeping such as was mentioned in previous chapters provides much information about individual donors, whether they are small donors or major donors. To effectively develop donors and encourage those who can to make increasingly substantial gifts requires constant in-depth analysis of the donor spectrum. A donor who is defined by a history of annual giving at any level is an ideal candidate for cultivation. If such a person has substantial giving potential, even more personal cultivation is warranted.

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An NPO’s relationship with donors should be managed so that donors are kept interested and involved in the organizations. These involvements may be beyond being a ticket purchaser. Opportunities might include becoming involved as a volunteer, possibly being asked to join the board of directors, or attending special events designed to develop a social connection with the organization. Creating donor interest and developing more than one simple connection with the organization is the key to making lasting relationships.
CHAPTER V

CHARITABLE DONATIONS

Cash Contributions

Cash is by far the most common kind of contribution. These contributions are usually made in response to a specific request, and in many cases can be made electronically as well as by check. A growing number of arts organizations are using the capability of making monthly automatic withdrawals as a way to encourage larger contributions. It is the responsibility of the receiving organization to provide any donor who makes a contribution worth $75 or more with a written receipt of the gift.

Donors who make cash contributions to a 501(C)(3) organization are able to report these gifts and deduct them from their income tax. The law related to these deductions states that a person can deduct contributions to the extent that they do not represent more than 50% of the donor’s Adjusted Gross Income (AGI). If the contributions are more than the 50% of the AGI, the donor can carry the extra amount forward for up to five years.

Another kind of contribution is the gift of stock. The value of the gift is the current market value of the stock, which may exceed its original cost. The advantage to the donor is that if the stock has appreciated substantially, current value of the stock is the
amount that can be reported as a tax deduction, and the donor avoids having to pay capital gains on profit from disposing of the stock.

Types of Cash Contributions

Cash contributions include those paid by cash, check, and electronic funds transfer, credit card, or payroll deduction. One cannot deduct a cash contribution, regardless of the amount, unless the following documentation can be provided:

- A bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution. Bank records may include:
  - A canceled check,
  - A bank or credit union statement, or
  - A credit card statement.

- A receipt (or a letter or other written communication) from the qualified organization showing the name of the organization, the date of the contribution, and the amount of the contribution.

- The payroll deduction records described next.

* IRS Tax-map 2008 - [http://taxmap.ntis.gov/taxmap/pub17/p17-134.htm](http://taxmap.ntis.gov/taxmap/pub17/p17-134.htm)

Non-Cash Donation

A donation of real property is another option. If the property has a value of more than $500, the recipient organization must provide a written receipt for tax purposes. If a
donation (other than cash, stock or other investments) of property has a value of $5,000 or more, the donor is required to obtain a qualified appraisal of the property. In both cases, the donor must also fill out I.R.S. form 8283 in order to claim a deduction.

The maximum limit for deducting the value of charitable contributions of property is different than for gifts of cash. A gift of real property has a deduction limit of 30% of the donor’s annual adjusted gross income. Amounts in excess of 30% can be carried forward and used in future tax returns over the next five years. After that the donor will be unable to deduct any unclaimed amount from future income taxes.

Restricted Gifts

Many donors desire to designate donations to an organization for a specific purpose or program. The condition of making such a gift may be set by the donor, who restricts the organization from using the money for any other purpose than for what was designated. Failure by the recipient organization to meet these conditions can result in having to return the contribution. At the very least, the credibility of the organization is jeopardized.

If an offer of a restricted contribution is made that is in some way objectionable, is outside the organization’s priorities, or might make it impossible for the donor to claim a tax deduction, it is best to refuse the gift. Deductible contributions must abide by the I.R.S. taxation codes that indicate that a gift must be given to support the fundamental mission of the organization. If the restriction falls outside the parameters of the mission, the donor could lose the deduction of the gift for taxes. Difficult as this situation may
sound, it may present an opportunity to open a conversation with the donor about other ways the gift could be used.

Special Events

Producing special fund raising events is a tried and true method of generating income. Traditionally these events have included such things as exhibitions, dinners, galas, benefit concerts, walkathons, and fine arts and craft festivals. The advantages of putting together an event for a nonprofit organization are many. On the most basic level, the organization engages with the community in a way that it might not do on a regular basis. By targeting the nature of the event, it is possible to draw people into the organization who might not otherwise be interested. Selling a ticket to a fund-raising event, no matter how high priced it may be, is just the first step. Following up with further cultivation can turn a simple ticket sales into an active participant.

The major danger in creating complex events is that there is a high risk. An event poorly handled is a public relations problem. An event that costs more than it makes is a financial problem. An event that uses valuable staff time is a management problem. Attracting board members or volunteers with expertise at creating successful events is important for organizations who want to use this fund-raising method.

Capital Campaigns

Capital campaigns are designed to raise funds for large one-time projects—often involving such thing as renovations or new buildings or equipment. These campaigns are in addition to annual campaigns, and usually have a finite time period, although it may be
a multi-year time period. The funds raised in these campaigns are kept separate from other funds as the funding comes together over time. Such a campaign should be based on research that indicates that there is a critical mass of donors willing and able to give more than their annual contribution to support the project. The organization may also request donations from foundations and corporations, as well local, state or federal agencies.

Endowment Campaigns

An endowment is a pool of funds or property that has been amassed by a nonprofit organization with the understanding that these assets be invested to generate income. Campaigns to raise funds to create an endowment are very similar to capital campaigns. They raise funds above and beyond those needed the needs to cover general operating costs.

In most endowments, gifts are made with the understanding that the principle of the fund is to remain intact to generate income which may be spent for specific uses, or for general operating support. The conditions of the endowment are determined when it is formed and specific gifts may be given with specific restrictions; but, generally they are designed to encourage donors to understand that when they make contributions to an endowment, they are contributing to the organization in perpetuity.

While the amount of money an endowment generates is subject to return on investment, a well funded endowment generates funds that even out the challenges of variations in annual contributions. Endowments provide for the long term health of the organization.
Endowment campaigns tend to attract larger donors who may be interested in giving through non-traditional methods. As well as cash and stock contributions, people can give gifts of property of value such as real estate, art, jewelry, securities, annuities, trusts, life insurance policies, retirement assets, or a series of payments over time. These methods of making substantial “planned” gifts are the subject of the next chapter.
CHAPTER VI
FUND-RAISING THROUGH PLANNED GIVING

Planned Giving Investments (PGI)

All nonprofit organizations depend on donations large and small to support their missions successfully each year. In addition to standard fund-raising which includes membership drives, annual solicitation of individual and corporate donations, and applying for foundation or government grants, there are a variety of Planned Giving Investments (PGI) options. PGI programs can help an organization in a variety of ways—most notably by the fact that they are often instruments designed to manage large contributions, multiyear contributions, or contributions that generate income for the organization over a long period of time. A plan to develop a pool of PGI donors is long term fund-raising.

Any organization may receive contributions that fall into the PGI category. PGI’s are not limited only to those who have a substantial amount of wealth. Programs can be designed for the particular goals of any individual. There are financial contracts which require a Planned Giving specialist who may be employed by a nonprofit, or who may represent the donor, to explain the details of various options. Planned Giving often requires documents drawn up by attorneys or financial institutions. The NPO that deals
with Planned Giving must be trained in these financial matters and should have a high level of commitment toward these fund-raising investments.

PGI programs are usually developed by organizations that have a relatively long history of good leadership, financial stability, and have a committed high potential donor base. The conditions for this particular organization have been outlined in previous chapters. The annual operations resources should not be compromised when considering a Planned Giving program; the NPO should monitor fluctuations in financial markets. Insurance costs should also be considered by any organization considering creating these kinds of programs.

Nonprofit organizations often divide their donor bases into categories defined by giving history and potential. The first group, usually the smallest, are wealthy donors (wealth being distinguished from simply having a high annual income) known for their generous philanthropic work in a local or regional area. The second group is made up of donors who have wealth and who have a giving history, but who do not have a history of major philanthropy. In regard to PGI fund-raising, a subset of this of this group is elderly people with no children or heirs. Creating partnerships with these people can be particularly fruitful for both the donor and the recipient. A third group includes more modest donors, the term “modest” being relative to the organization itself. Yet another group of interest in high end development efforts is people with wealth who are not currently part of the donor base, but have the capacity to make substantial gifts.
Within each of these categories are other demographic and psycho-graphic indicators that may help identify likely prospects. A brief list of these indicators includes the following:

- Geographic region – zip codes may provide indications of giving potential
- Occupation or profession – there is data demonstrating the correlations between specific professions and a tendency to make substantial contributions
- Affiliation to the organization – certainly a long-term involvement in the organization increases the likelihood that a person will make a substantial or long-term commitment
- Community Recognition – people motivated by a sense of public responsibility and a desire for public recognition for the leadership roles they play are strong prospects
- Philanthropic background – people who think of themselves as “givers” are much more likely to make substantial contributions
- Education – a high level of education is one of the major factors shared by donors, particularly to donors of arts organizations
- Age – as people get older, the experience of being emotionally “involved” becomes much more valuable than the acquisition of “things”
- Wealth

Aside from the obvious advantage of raising much needed financial support, there are more complex advantages to developing donors who give more than a simple annual pledge. These may be briefly listed as being:
• An opportunity to work directly with donors and possible estate planners to create a situation, in which the organization is served, and the donor’s needs and wishes are met

• The opportunity to develop a relationship that will encourage donors to increase their participation over time

• The opportunity to capitalize on the satisfaction of major donors who are happy with their arrangements by turning them into enthusiastic advocates, and ultimately part of the team that will help develop other potential donors

Fortunately those advantages are not restricted to organizational recipients. The best thing about high-end donor development is that the donor stands to gain a great deal as well. In general terms, those advantages may include such things as:

• A lasting legacy for the donor

• An opportunity to honor or memorialize a generous or longtime donor

• An opportunity to honor someone who had a major impact on developing or sustaining a project, program or event of a particular interest to them.

• A gift that is advantageous to the donor’s long term financial goals as well as advantageous to the nonprofit organization.

• A gift that provides the donor with substantial tax deductions against highly taxed capital gains or inheritances.

• The social rewards of being part of an organization, providing an elite status of the community
Clearly, developing high end donors requires research, knowledge, and a commitment to stewardship. Most major donors started out modestly, and have, over a period of years become more and more involved—often providing service to the organization as well as money. These are often long-term as well as sizable gifts and require long-term development efforts by people who have a gift for creating relationships. The investment in time and staff is worth it, as PGI programs are an acknowledged way to insure a stable income and the future of an organization.
CHAPTER VII
TYPES OF FUND-RAISING INVESTMENTS

Financial Programs

This chapter introduces a variety of financial instruments that can be created to help major donors find ways to meet their philanthropic goals while also meeting personal financial goals. Each type of investment has its own set of advantages and disadvantages.

The NPO recipient organization is legally responsible for fulfilling the conditions of the investment contract. In some cases, an NPO may find itself in the uncomfortable position of seeing cash flow toward the donor rather than from the donor. Because of the complexity of some of these financial instruments, each investment should be handled with a licensed investment professional.

Outright Gifts

The most common of all charitable gifts is the outright gift. This type of gift makes an immediate economic impact on an institution. Such gifts can be made up of cash or property. The Nonprofit Organization (NPO) assumes possession of the gift. The donor retains no claim on the property asset; but, in making the contribution, may place restrictions on its use. In this case, the donor can benefit from making the gift by taking an immediate tax deduction valued at the fair market value of the gift up to the limitation
of the law. Donors should be aware that the IRS limits the amount of tax deduction that can be claimed for a charitable contribution to a specific percentage of the donor’s adjusted gross income.

Donors must maintain a record of contributions of cash or other monetary gift regardless of amount. The record may be a canceled check, a bank record, or some type of written communication from the NPO acknowledging the donation. Documentation from the recipient of any gift over $250 must also contain the date, the amount of the contribution, the name of the 501(c)(3) recipient, and the value of any goods or services received in return for the gift. The value of those goods or services must be subtracted from the value of the contribution, and the net is considered the tax deductible value.

Charitable Bequests

A bequest is the act of making a charitable gift by will, revocable during the life of the donor, but passed on to the charity at his or her death. Bequests can be made in a specific amount of a particular asset, or a percentage of an estate.

When the will of the donor is released and probated, the NPO will be provided with the designated asset from the estate. A Charitable Bequest can be a part of a donor’s estate planning. The donor’s estate will receive a deduction equal to the amount of the donation against the estate’s tax. There is no tax limitation on the deductible amount of the Charitable Bequest. Russ Prince, in his *Charitable Giving Handbook*, suggests advantages and disadvantages to charitable bequests which are summarized below:
Advantages

- A Charitable Bequest is relatively inexpensive to setup
- It is a painless way to provide a charitable gift
- The gift can be made anonymously
- Unlimited charitable deductions for the estate
- The gift is revocable during the donor’s lifetime

Disadvantages

- No current tax benefit to the donor
- Charitable Bequests may become a liability to the estate if they involve a specific cash amount
- Assets may need to liquidated at less than the fair market value
- The NPO may not take possession until the will has been probated


Charitable Gifts of Life Insurance

A Charitable Gift of Life Insurance is another common way for a donor to make a life or after life contribution. This kind of gift may be made in several ways. First, an NPO can simple be made the beneficiary of a donor’s life insurance policy. This is the most straight-forward way a gift of life insurance could be made; and in this case, a donor may take the cost of premiums as a charitable gift tax deduction. Another method can be that the NPO, with consent, purchases a policy on the life of a donor and pays the
premiums. In yet a third variation, the NPO might purchase the policy, but the insured would pay the premiums, making the amount of the premiums as well as the ultimate gift a tax deductible contribution.

**Advantages**

- A donor can make a substantial contribution to an NPO in the future for a relatively small contribution over time.
- A donor can take a charitable tax deduction for premium payments.
- A donor can remain anonymous during his or her lifetime.
- A gift of life insurance prevents claims against the estate after death.
- Little documentation is required by the IRS for deductions.

**Disadvantages**

- Donor receives no tax deduction if premiums are paid by the NPO
- The death benefit could be considered part of the donor’s gross estate.
- There could be insurable investments with the NPO that would make the heirs of the estate the beneficiaries of the insured policy.


**Charitable Gift Annuities**

Charitable Gift Annuities (CGA) are contractual agreements between the donors and a charitable organization. Most often, the agreement is for the NPO to pay an annuity income to the donor in exchange for a substantial gift to the organization. Payments to the
The donor may be comprised of two parts. One part is made up of a portion of taxable interest earned from the investment of the gift, and the other is made up of a tax free return of principle. The monetary value of the donor’s annuity income is determined by age of the donor as is usually defined according to actuarial tables established by the American Council on Gift Annuities.

The second part of the contract has to do with distribution of the gift upon the death of the donor or a named beneficiary. In most cases the principle gift, for which the donor has received a charitable tax deduction remains in the possession of the recipient organization. It is, however, possible that provisions can be made for some portion of the original gift may revert to the donor’s estate, in which case the tax advantage is considerably less.

**Advantages**

- Charitable Gift Annuities are relatively simple to set up.
- The NPO receives a future investment gift.
- The donor receives an income for life.
- Capital gains can be spread over the life of the annuity.
- The donor may receive a tax free return of principle.
- The donor receives a current income tax deduction,
- The Charitable Gift Annuity can be funded with large or small amounts of money.
**Disadvantages**

- The Charitable Gift Annuity is irrevocable.
- The annuity are fixed and not adjust for inflation.
- The NPO must be financially sound and have the appropriate financial management resources to provide these types of investment.


**Pooled Income Funds**

Pooled Income Funds are designed to allow charitable organizations to establish a donor advised trust fund. The term “donor advised” simply means that when contributions are made, individual donors may choose to designate what the income from their portion of the fund is used for. As the name suggests, a Pooled Income Fund takes contributions from individual and private donors and invests commingled contributions for the purposes of minimizing management costs and achieving a greater return on investment than might be possible from small are individual contributions. Each donor is assigned a value of participation in relation to the amount contributed to the fund. Contributions to a Pooled Income Fund are made with tax advantages to the donors at the time the gift is made.

Pooled income funds may be set up to provide an annuity for a donor as well as for simply generating income for the charitable recipient. In that case, the annuity payments would be determined not on the value of the whole fund, but on the percent of the initial fund contributed the contributor.
**Advantages**

- A donor receives an immediate income tax deduction.
- Contributions are converted into income producing assets.
- In the case of a Pooled Fund being set up as an Annuity, income from fund will be paid out to donors for life.

**Disadvantages**

- The funds cannot be invested in tax-exempt securities. Donor cannot receive any more tax benefit from the securities already invested. The securities can be liquidated and then the funds could be used for the Pooled Fund.
- The investment return from the funds is unpredictable, subject to the successful management of the fund and varying with the value of the investments at any given time and
- All income from the fund is taxed as ordinary income.
- Pooled income cannot easily accept illiquid assets such as property.


**Charitable Remainder Trusts (CRT)**

The U.S. Congress in 1969 created a type of financial instrument designed to encourage contributions to charities and nonprofit organizations. This trust is technically called Charitable Uni-Trust, but is more commonly known as a Charitable Remainder Trust (CRT). The Charitable Remainder Trust (CRT) financial provides specified
payments to one or more individuals over a lifetime, while providing an NPO with a gift of its remaining assets upon the death of the beneficiaries. For instance, a donor may want to make a substantial contribution to support a favored charity, and yet need income for living expenses or want to provide income to some other beneficiary. The CRT allows the donor to take a charitable deduction at the time of the gift—a tax advantage made even greater to the donor if the asset has appreciated in value and would be subject to capital gains tax, as well as providing a way to decrease estate taxes at a later date. The beneficiary would receive periodic payments over a specified period of time no longer than twenty years. At that time the assets would become available to the NPO for its own use.

There are five distinct steps to creating a CRT:

- The wealth replacement trust is a life insurance policy that the donor purchases that is equal or greater to the value of assets or property donated. This concept is to replace the donated assets given away and is for the financial benefit of the heirs.
- The donor or donors contribute some type of asset to the CRT.
- A beneficiary (or beneficiaries) of the CRT which may or may not be the donor is designated.
- A charity beneficiary is named to receive the remainder at the end of a lifetime or significant term of years.
At the time of death or at the end of the determined number of years, the heirs (or donor if still alive), receive the agreed payout amount and the NPO receives the remaining assets of the original arranged donation.

There are two variations of the Charitable Remainder Trust (CRT). One is the Charitable Remainder Annuity Trust (CRAT) and the Charitable Remainder Unitrust (CRUT).

Charitable Remainder Annuity Trusts (CRAT)

In the case of a Charitable Remainder Annuity Trust (CRAT), annuity payments are of either a fixed amount or a fixed percentage of the value of the trust at specified intervals of time—usually annually, quarterly or monthly. The amount of the annuity must not be less than five percent or more than fifty percent of the initial value of the property or asset transferred to the trust. Assets in a CRAT are valued at the creation of the trust and a donor can only contribute to the CRAT at the time of its creation.

The CRAT can be set up for a specific term but cannot exceed twenty years. Usually a CRAT exists for the lifetime of an individual or individuals making a contribution. Though the donor may take a tax deduction for the value of the gift at the time of contribution, annuity payments to beneficiaries are subject to normal income tax rates.
Charitable Remainder Unitrusts (CRUT)

The Charitable Remainder Unitrust (CRUT) varies from the CRAT in three ways.

- First, the interest paid out of the trust is a fixed percentage not less than five percent and not more than fifty percent of the fair market value of the donated asset to the trust. The fair market value of the trust assets in the CRUT will be calculated at least annually or at another specific time frame less than a year.
- The Unitrust – Net Income: This is when the payout is less than the fixed percentage or it is paid out in actual income of the trust in that year.
- Net Income – Unitrust Make-Up: The trust is set up as an income only trust. Deficiencies in income returns are made up in more prosperous years when the return drops below five percent of the fair market value.

Advantages (CRT, CRAT, CRUT)

- The donor receives an income tax deduction current value of the assets.
- The donor can donate highly appreciated property and assets. These assets do not have to be recognized as part of their Capital Gains assessments.
- Establishment of these trusts may reduce future estate taxes.
- Assets are placed in trust. These assets can be sold or liquidated to acquire monetary income.

Disadvantages (CRT, CRAT, CRUT)

- These instruments are complex to create.
• They must be managed and maintained daily – creates complex administrative duties.

• Assets are donated to the trust are irrevocable.

• There are fees that are required for accounting and trustee work.

• An appraisal must be made to insure value of the donation.


Charitable Lead Trusts

The Charitable Lead Trust (CLT) is, for all practical purposes, the reverse of the CRT. In the CLT, the donor gives the NPO the opportunity of receiving a continuous income stream from transferred assets which the donor retains all rights to after a designated term of years. The CLT, like a CRT, can either be in the form of an annuity trust or a unitrust. A Charitable Lead Annuity Trust (CLAT) will pay the NPO a fixed amount of money each year regardless of the income generated by the assets. A Charitable Lead Unitrust (CLUT) will pay a NPO a fixed percentage of the asset value which is evaluated annually.

The CLT provides donors the opportunity to pass on assets to their heirs in the future. It also provides tax benefits to the donor and his current estate. The donor also receives a tax deduction for the CLT donation and could be used as an income, gift, or estate tax deduction in the amount of the interest income.
Advantages (CLT, CLAT, CLUT)

- Donors can pass on assets in the future to their heirs.
- Donor provides a continuous income stream to the charity NPO
- Donations can be used as a tax deduction.
- The donor does not have to pay capital gains on assets because property is protected in trust.

Disadvantages

- CLTS are complicated to create and present complex administrative challenges.
- The donors and their ultimate heirs give up use of the income of the assets for the life of the trust.
- The charitable deduction allowed for contributions to a CLT has a limit. The donor can only deduct only between twenty and thirty percent of the contribution value.
- The transfer of the assets placed in trust is irrevocable.

CHAPTER VIII
DONATION TAX BENEFITS

Tax Benefits

A donation to a nonprofit charitable (501)(c)(3) organization is tax deductible to the extent established by rules of the IRS. Such donations can reduce a donor’s taxable income, may also reduce capital gains taxes, and, in some cases may have an impact on inheritance taxes. In many cases, these tax advantages are incentive for a donor to consider making a substantial give to an NPO.

Rules for Charitable Contribution Deduction

Gifts of cash, property or other must meet certain criteria in order to be tax-deductible.

- The Donor must actually donate cash or appraised property. A pledge or promise to donate is not deductible until the donor actually pays or is contracted to pay at a future date through Planned Giving Investments.
- The Donor must contribute to a qualified tax-exempt organization. Nonprofit organizations must be able to prove their 501(c)(3) tax-exempt status before contributions to them are tax deductible. Qualified organizations are required to apply to the IRS and must be listed by the IRS for the donor to receive his
tax deduction. A donor maybe responsible for the tax on the donated amount if it proves to be that the organization was not registered with the IRS.

- The Donor must be able to itemize. The only way for a donor to receive a charitable deduction for eligible contributions is to file an itemized tax return.
- The Donor must keep records for deduction requirements. The requirements include saving canceled checks, letters of acknowledgment from the nonprofit organization or charity.

*http://taxes.about.com/od/deductionscredits/a/CharityDonation.htm

The Pension Protection Act of 2006 established the rules of record keeping for all cash donations. Any donation of $250 or more must supported by documentation provided by the recipient that includes the name of the charitable organization, the date of the contribution, and the amount donation.

Non-Cash Contributions of Property

A donor who wished to donate property other than cash is subject to several additional record keeping rules. A donor who makes non-cash contribution worth more than $500 must submit IRS Form 8283. Donations below this amount are not subject to this rule. If a donor contributes property such as a car, truck, boat, airplane, or other vehicle worth more than $500, the donor must be sent a written acknowledgment from the recipient organization. In return, the donor must also prove any titles or other related documentation signed and transferred to the NPO. All paperwork must be completed before the value of the gift becomes tax deductible.
Donors making gifts valued at $5,000 or more must be able to provide a dated professional appraisal of the fair market value of the goods or property donated. The donor also must keep written acknowledgments from the charitable organization.

*The Limits on Charitable Contribution Deductions*

- Charitable contributions are generally tax deductible, but the IRS has established limits on the amount of deduction that can be claimed annually. For instance: A donor to an NPO can deduct cash contributions in full up to 50% of the donor’s adjusted gross income.
- A donor can deduct property contributions in full up to 30% of the donor’s adjusted gross income.
- A donor can also deduct contributions of appreciated capital gains assets in full up to 20% of the donor’s adjusted gross income.
- Deductions related to the value of charitable contributions in excess of these limits can be carried forward into subsequent tax years up to a maximum of five years from the date of the contribution.

*http://taxes.about.com/od/deductionscredits/a/CharityDonation.htm*

*Charity Benefit Events Deduction*

Making contributions to legally established charitable organizations is made somewhat more complicated when gifts are received in return for the contribution. The fair market value of products or services received as a result of making a contribution must be subtracted from the amount of the gift when determining the qualified tax
deduction. The value of the benefits received by the donor must be documented by the recipient organization.

Special events with inflated ticket prices are a time-honored way for charitable organizations to build their audiences and their donor bases. Tax deductions taken on contributions related to charity benefits require special care.

Planners of these events must establish a fair market value for the event itself. Whether the event is a charity ball, banquet, concert, exhibition opening, or sporting competition, the event itself will have a fair market value. That amount must be subtracted from the ticket price in order to establish the value of the tax deductible value of the contribution. This value should be made clear on the tickets for the event, which will then provide documentation for the itemized tax return. If a donor purchases a ticket with no intention of attending, the entire cost of the ticket may be deducted.

Membership Fees or Dues Deduction

A privileged donor who pays membership fees or dues each year can deduct the contribution made for the membership from the donor’s income taxes under certain circumstances. The cost of the membership is only deductible up to the value of the membership minus the value of any tangible product or service received as a benefit of membership. These benefits might include such things as the following:

- Free or discounted admission to the organization's facilities or events,
- Free or discounted parking,
- Preferred access to goods or services, and
- Discounts on the purchase of goods and services.
When membership fees are set at various levels, the higher the cost of membership, the higher the likelihood that it is worth the member’s efforts to establish documentation for a charitable contribution.
CHAPTER IX
CONCLUSION

Succeeding as a Nonprofit Organization

Charitable organizations must look to the future for Economic uncertainty is always an issue for organizations dependent on the good will and charitable giving of donors even when times are good.

Annual membership drives and ticket sales may maintain immediate expenses and overhead, but a successful Planned Giving program can be an extra asset in the long term goals of the organization. A variety of fundraising strategies need to come together to ensure that the organization is able to meet its mission-driven objectives.

Charitable giving is in a direct relationship to the country’s economic growth or recession. About seventy to eighty percent of Americans contribute annually to at least one charity. According to USA Giving, in a typical year since 2000, approximately seventy-five percent of total charitable gifts have come from individuals. An additional seven to eight percent comes from estates. Corporations and institutional donors such as foundations or government entities donate the balance.

Critical to the success of charitable organizations is creating a culture of strategic planning. Continuing evaluation of the strengths and weaknesses of an organization in the context of the opportunities and threats of their changing environments is critical.

A charitable nonprofit business is like every other business, with one important exception. It has a mission that supersedes the goal of making profit. It is created to create a product or perform a service. Nonetheless, it must make enough money to keep itself financially viable. The first decade of the 21st century has presented unusual challenges to all business; but few are more subject to a financial downturn than those not only dependent on selling products or services, but dependent on disposable income for contributions as well.

Nonprofit organizations particularly have been hurt economically since September 11, 2001. Charitable giving after 9/11 soared to those organizations directly connected to recovery and support of those devastatingly affected by these events. Support for the arts was profoundly decreased as a result. The decade that has passed since that tragic day has had great economic upheaval—marked by huge profits in a deceptively profitable stock market, and most recently a profound recession and high levels of unemployment. While the full impact of the current financial climate in the United States may not have been felt, no charitable organization, and certainly no arts organization has escaped the impact of decreased contributions.

Economic uncertainty has prompted charitable organizations to explore more aggressively methods of leveling out income flow through the development of major donors and long term income generating relationships with people who believe in the
missions of the organizations and are there to help with survival. These people are attracted to organizations that are well run and adhere to solid business practices. They are also people who understand the role of charitable institution in enriching the lives of everyone in a community. They understand the importance of public support, and they understand that giving in perpetuity is more stabilizing to organizations than making simple annual contributions. They also understand that there are many desirable ways of incorporating their charitable wishes with advantageous tax arrangements.

The savvy charitably organization in the 21st will recognize that traditional annual campaigns are not enough. New financial realities require innovative financial cultivation. Through careful planning and cultivation, charities can weather the storm. The goals of any organization and securing its future can be achieved through careful planning, and that future begins today.
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