

7 January 2015



AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Falls Church Area Branch

Corporate Donation Fundraising Feasibility Report



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Executive Summary

The current ability of American Association of University Women Falls Church Area (FCA) branch to fund local scholarships is highly dependent upon the profits derived from our signature event, the annual book sale. The amount available for scholarships fluctuates from year to year based on these profits. Last year the sale profits allowed us to give \$7500 in scholarships which was augmented by a \$2500 anonymous donation. This year only \$6000 is available for scholarships and, although still committed to the annual book sale, the branch is considering adding another method for raising funds for local scholarships.

Toward that end, an investigative committee was formed and tasked with exploring the utilization of corporate donations to increase the amount of funds raised for local scholarships. This report provides an overview of current fundraising, the basics of forming a fundraising strategy and the steps needed to begin corporate donation solicitation.

The information provided in this report has been collected to assist the reader in making an informed decision on the best path forward. It is the opinion of this committee that the development of a fundraising strategy that includes diversity of fundraising methods is advisable. That strategy may well include seeking corporate donations and, further, that the addition of a 501(c)(3) organizational structure would aid in attracting corporate and other donors. The committee makes this recommendation with the strong belief that the effort required to increase fundraising today is directly linked to increased educational opportunity for so many of our local young women and girls tomorrow.

To further this aim the following specific recommendations are included: (1) The fundraising strategy including becoming a 501(3)(C) should be refined within 2 months, (2) that this fundraising strategy be presented to the membership at the March 2015 business meeting, and (3) that a committee should be formed to commence the process of becoming a 501(3)(C).

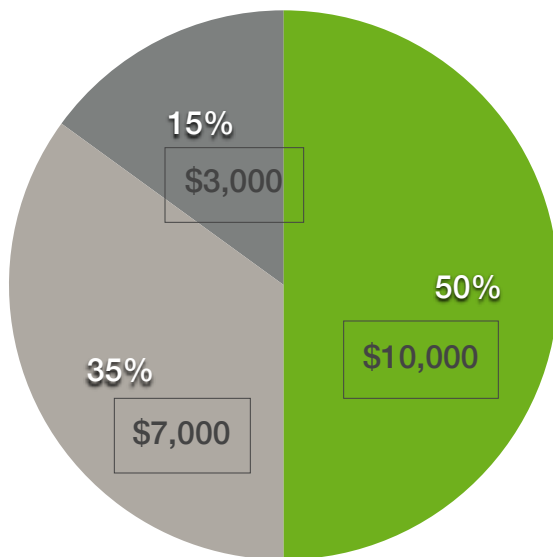
Statement of Objectives

The Treasurer, Martha Trunk, and her committee, Christiane DeJong and Susan Hesser, were tasked with exploring the utilization of corporate donations as a vehicle for fundraising - sources, solicitation, and follow up.

AAUW Local and National Branch Tax Structures

Our local FCA branch is a tax-exempt 501(c)(4) non-profit organization under the umbrella of AAUW National which is both a 501(4)(c) and a 501(c)(3) non-profit organization. Functionally the difference between the two types of non-profit organizations is as follows: 501(c)(4) organizations can engage in unlimited lobbying, so long as it pertains to the organization's mission, and 501(c)(3) are not permitted to engage in political activity, endorse/oppose

2014 Distribution of Funds Raised: 50% of Contributions Tax-Deductible



- Career Development Grant (CDG) - Tax-Deductible Gift
- Local Scholarships
- Special Local Projects for Women and Girls

candidates, or donate money/time to campaigns. Because of the restrictions associated with each it is not unusual for an organization to have two separate but affiliated organizations - one a charitable 501(c)(3) and the other a 501(c)(4) lobbying arm. With regards to fundraising the IRS stipulates that gifts made to 501(c)(3) organizations are deductible as charitable contributions and donations made to 501(c)(4) organizations are not, though some businesses write gifts off as advertising or business expenses.

As a 501(c)(4) the AAUW FCA branch currently raises funds in two ways — a limited number of individual donations and the annual book sale. The amount raised in 2014 was \$20,000. Under the current organizational structure donations made to the local FCA

branch are not tax-deductible however a beneficial arrangement has been made with the National branch in which contributions passed through to them to fund the Career Development Grant (CDG) are. As of now the local branch dedicates 50% of the funds raised to the CDG which are distributed by the National Branch in the form of scholarships using their own criteria to select applicants. Of the remaining half raised 35% is allocated to local scholarships and 15% to special projects that support women and girls. Contributions to the local scholarship and special projects funds are not tax-deductible.

Alternative Method for Providing Tax-Deductible Donation Status

The CDG arrangement with National is successful because there is an advantage to allowing donors to make tax-deductible contributions. Both public and private donors are more likely to give to 501(c)(3). According to a feature on the Nolo website, a publisher producing do-it-yourself legal books with a focus on non-profit's needs, in an article titled "*Tax Deductions for Charitable Giving - The Nonprofit's Responsibilities*" the tax deductible status may be a significant factor affecting giving. In a statement it is explained that "*The words "your contribution is tax deductible" are music to a donor's ears. While getting a tax deduction is not the sole motivation for most charitable donations, it's an important factor -- indeed, about 85% of all charitable contributions are made by individuals who deduct their donations.*"¹

With this in mind other AAUW branches have sought alternate means to render 100% of the contributions to their scholarship funds tax-deductible. One such method involves directing the donations to a 501(c)(3) foundation located at a university which is pre-selected by the branch. In this scenario the university is responsible for recipient selection and distribution. Although the local AAUW branch is allowed to provide candidate criteria, they do not participate in the recipient selection process. Unfortunately this requirement restricts local AAUW involvement and, in the past, the AAUW FCA branch Board of Directors determined that branch members were unwilling to relinquish oversight.

Another method that a significant number branches around the country are utilizing is the addition of the 501(3)(c) organizational structure to their current 501(c)(4). Adding the 501(3)(c) structure to an AAUW branch offers donors an attractive tax incentive without altering the local branch's relationship with AAUW National. This change may be of interest and worthy of consideration as the local FCA branch investigates increasing fundraising. As a 501(3)(c) CDG funds collected by the FCA branch may be passed through just as they currently are. The CDG amount could remain as it has been in the past and our branches status as a top contributor would remain unaltered. Donors contributing funds would be offered a tax-deductible receipt and the surplus raised beyond what is currently raised could remain within FCA branch control for uses determined solely by the local members. There are several other benefits of forming a 501(3)(c) and they are as follows:

- Tax-exempt status is permanent
- The National Branch would still process all local dues
- Branch members may deduct personal costs related to the book sale and other activities
- Government and private grants are available for non-profit organizations
- Free Public service announcements on radio and TV

¹ "Tax Deductions for Charitable Giving - The Nonprofit's Responsibilities | Nolo.com." <http://www.nolo.com/legal-encyclopedia/tax-deductions-charitable-giving-nonprofits-32212.html>. (Dec. 28, 2014).

- Nonprofit postage rates are available for mailing over 250 identical pieces

There are a number of steps required to add the 501(c)(3) non-profit organization status to the AAUW FCA branch. There are Federal and State requirements that must be met and they are as outlined in Exhibit 1 at the end of this report. The initial costs are approximately \$500 and the annual costs thereafter, currently, are \$25. Accounting would become slightly more involved as branch operating funds must be tracked separately from charitable funds distributions in the branch's accounting. Taxes must also be filed annually and, as is common with non-profits, can be done for the branch pro-bono by an accountant found through a volunteer matching organization like "The Clearing house for Volunteer Accounting Services".

Developing the 2015 Fundraising Strategy

Charged with the task of investigating corporate donations as a vehicle for fundraising in 2015, our committee began its effort with research. This included a review of the approaches common to professional fundraising - methods, resources, effort, timetable and potential results. Although the information sought was focused specifically on the solicitation of corporate donations, understanding this method in the context of the larger picture of fundraising - goals and strategy - has been very useful. Successful results, fundraising experts suggest, are strongly tied to the implementation of a well laid fundraising plan. Toward that end this report includes a brief description the steps required to define a fundraising plan as a critical part of fundraising via corporate donations.

The challenge of creating and implementing a fundraising plan begins with defining the team of individuals who will spearhead this effort. Although non-profit organizations typically start with a small team of volunteers, fundraising committees often grow to include an Executive Director, a Development Director, the Board of Directors, an Advisory Council, and outside volunteers. In many cases outside volunteers can be found through "Volunteer Matching Organizations" who unite individuals with specific interests and organizations working toward those interests. In most cases the board of Directors are the strongest candidates at corporate fund solicitation due to their mature connections within the community.

The effort toward forming a fundraising strategy can be seen as series of steps including goal setting, internal assessments, research, plan development and commitment to the effort required. This last step is key to a successful plan in that those that will implement the strategy must have buy-in in order to stay committed while the plan is being implemented. The basic steps required are as follows:

- Determine reasonable annual dollar goal to work towards
- Establish a budget - operating expenses, emergency reserves, development costs
- Identify your organization's greatest fundraising assets

Mission

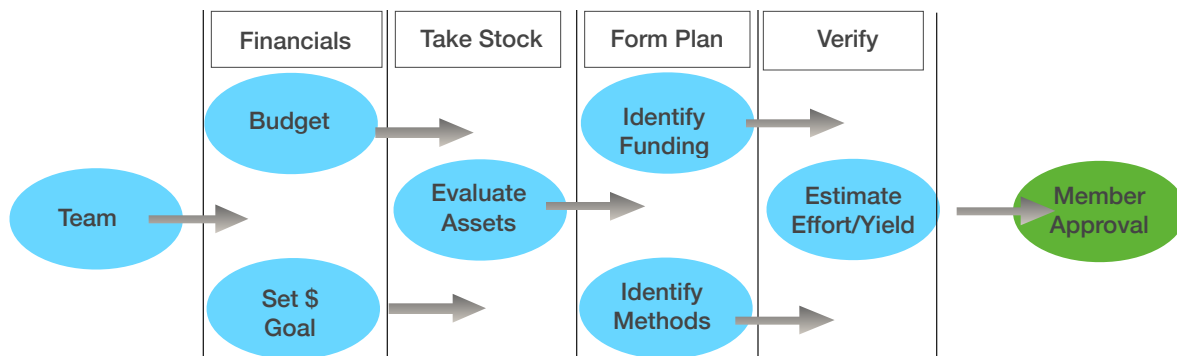
Reputation

Established membership

Members with homes well suited to hosting small events

- Identify potential funding sources
 - Mid-scale donors (\$100-500)
 - Major donors (Over \$500) - Corporate, Foundations, Gov't., Community
 - Regular donors (\$15-\$500) - Individuals
- Define strategic methods that use assets to reach potential funding sources -
 - Community outreach
 - Personal request - call, mail or email
 - Impersonal request - mass mailing
 - Broadcasted request - social media - website, newsletter, radio
 - Proceeds - special events, promotional Items like book bags, etc.
- Verify that income projections for methods identified will cover budget
- Estimate effort required for each fundraising method and establish annual schedule
- Define donor appreciation strategy - recognition, newsletter, etc.
- Define annual report requirements
- Create first draft plan
- Present to, strategize and form consensus with AAUW FCA branch members
- Create the final plan - narrative, goals, responsibilities, schedule, and benchmarking
- Divide fundraising tasks among team members based on contacts and skills

Essentials of forming a fundraising strategy



It is also important when fundraising to track the vast amounts of information being accumulated. This information is typically stored in two separate databases - one for donor and finance information and the other for client tracking and donor follow up. In order to make a donors' efforts simple many non-profits establish credit card or Paypal payment capabilities and this ties well to passive website fundraising. There are also several sources currently available for "point of purchase" charitable contributions such as "[igive.com](http://www.give.com)" or "Amazon Smiles".

Charitable Giving and Major Donors

Individual donors are the life blood of non-profit fundraising and can provide stability even during an economic downturn when other sources are likely to contract giving pools. It is

unfortunate, though, that the average donor contributes for only two or three years before moving on. For this reason non-profits must continually seek new potential donors and sources of funding through community outreach and strongly encourage past donors to give again.

Donors typically fall into the following three categories: Regular Donors who are individuals whose gifts fall in the range \$15 to \$500, Mid-Scale Donors who give in the range of \$100-500, and Major Donors who give over \$500. Major Donors are typical corporate businesses or foundations - either private, government, or community - and because the donations are more generous in size are frequently sought after by non-profits for large donations. The graphic below shows a chart used by fundraisers to determine the approximate number and size of gifts that are required to achieve a pre-determined fundraising goal. The sum of \$20,000 was selected at random for the purposes of demonstration.

Gift Range	No. Gifts required	No. Prospects required	Subtotal	Cumulative total	Percentage
2,000.00	1	4	2,000.00	2,000.00	10%
1,500.00	1	4	1,500.00	3,500.00	18%
1,000.00	2	8	2,000.00	5,500.00	28%
700.00	3	12	2,100.00	7,600.00	38%
550.00	3	12	1,650.00	9,250.00	46%
450.00	5	20	2,250.00	11,500.00	58%
400.00	7	28	2,800.00	14,300.00	72%
300.00	7	28	2,100.00	16,400.00	82%
200.00	10	40	2,000.00	18,400.00	92%
Under 200.00	16	64	1,600.00	20,000.00	100%
Totals	55	220		20,000.00	Totals

Soliciting Major Donations

Major donor fundraising is about relationship building. As Ilona Bray, a professional fundraiser and author, states it *"The donor-donee relationship that works most effectively can best be described as one of collaboration... toward the same goal: that of making a difference in the world."* She further adds that the donee's *"organization serves as simply a pass-through entity in which the donor's generosity is transformed into social, educational, environmental, or other worthy change."*² So the challenge, then, lies in convincing the potential donor that our organization is the best pass-through entity for achieving their goals.

Building this relationship is a process that takes time and effort beginning with doing background research on the potential donor, organizing a campaign in which numerous meetings with the donor are scheduled, and designing special events for major donors. This effort is added to when a donation is offered as the donation must then be formally acknowledged, the donor thanked and a year end report produced that documents the use of the funds. Last, because the effort to procure this type of donation is significant, the non-profit will find it imperative to

² Bray, Ilona. *Effective Fundraising for Non Profits Real-world Strategies That Work*. (2nd ed.) (Berkeley, Nolo Press, Berkeley, 2008), 169-170.

inspire the donor to renew the gift annually. As expected, this process is a slow one and according to Ms. Bray *"It's not unusual to spend two or three years cultivating a potential major donor until all of these (the right) conditions are in place (for making a donation request)."*³

Corporations commonly grant funding through foundations although many of them find it advantageous to give by other means as well. One of those alternate forms is the non foundation corporate gift. These gifts can be offered by entities other than corporations as well - sole proprietorships, partnerships, and limited liability companies can also be generous with their profits. Sources of corporate giving can be found in the following directories:

- Directory of Corporate Giving (Foundation Center)
- Corporate Giving Directory (Taft Group)
- Matching Gift Details (Council for Advancement and Support of Education)
- Giving by Industry: A Reference Guide to New Corporate Philanthropy

Ms. Bray also explains that non foundation giving is critical for small non-profits such as the AAUW FCA branch. *"If yours is a small, local non-profit, it's key to realize that the majority of business giving available to you will be through non foundation avenues, such as employee volunteer or matching gift programs, in-kind donation of services, goods or facilities, event sponsorship, cause-related marketing (where advertisement mentions your non-profit and cause), or cash gifts."*⁴

Summary

This report is intended to serve as introduction to the basics of non-profit fundraising and brief summary of the processes involved with soliciting corporate donations. Efforts to establish a successful fundraising strategy are, as explained here, time intensive and exceed the scope of this report. It is the opinion of this committee that the membership should give serious consideration to the forming a 501(3)(c) in light of the interest in seeking corporate donations and that a window of two months be allotted for the refinement of a fundraising approach. Further, the Board may wish to consider engaging a professional fundraiser to lead this challenging but exciting effort. Should the Board wish to pursue the 501(3)(c) and fundraising plan agenda it is advisable to allow a vote of the membership at the March business meeting. If approved by the membership, a committee should be formed to commence the process at that time.

In conclusion it is our belief that the AAUW FCA branch has a strongly compelling mission, a dynamic membership and deeply worthy cause with which to go forth and fundraise. Approached correctly, our branch has every reason to succeed in this endeavor and our success offers an unparalleled win-win for the community of Falls Church.

³ Bray, 169.

⁴ Bray, 339.

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EXHIBIT 1

Federal Requirements

1. Set-up a Federal Employer Identification Number

Process to set up a FEIN with the US Government - apply online - cost \$0.00. See [Form SS-4](#), Application for Employer Identification Number, and its [related instructions](#) to learn how to obtain an EIN. You may also obtain an EIN via telephone, by calling 1-800-829-4933, or by applying [online](#)

2. Set-up the 501(c)(3) - Cost of \$400 as a Public Charity

To apply for recognition by the IRS of exempt status under section 501(c)(3) of the Code, use a [Form 1023-series](#) application. The application must be complete and accompanied by the appropriate user fee.

FORM 1023-EZ, Small organizations may file Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, instead of Form 1023, and pay the required user fee. Form 1023-EZ must be filed electronically. For more information, see Form 1023 and 1023-EZ. The new Form 1023-EZ, available today on IRS.gov, is three pages long, compared with the standard 26-page Form 1023. Most small organizations, including as many as 70 percent of all applicants, qualify to use the new streamlined form. Most organizations with gross receipts of \$50,000 or less and assets of \$250,000 or less are eligible. The Form 1023-EZ must be filed using pay.gov, and a \$400 user fee is due at the time the form is submitted. Further details on the new Form 1023-EZ application process can be found in [Revenue Procedure 2014-40](#), posted today on IRS.gov.

3. File an Annual Electronic Notice for Tax-Exempt Organization

In order to meet their annual filing requirement, organizations with gross receipts normally \$50,000 or less may choose to submit an annual electronic notice using Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ. The e-Postcard can only be filed electronically; there is no paper version.

A charitable organization must make available for public inspection its approved application for recognition of exemption with all supporting documents and its last three annual information returns. The organization must provide copies of these documents upon request without charge (other than a reasonable fee for reproduction and copying costs). Penalties are provided for failure to comply with these requirements. For more information, see our [frequently asked questions](#), the final regulations published in [Internal Revenue Bulletin 1999-17](#), or [Disclosure Requirements](#).

Virginia State Requirements

Virginia requirements for a 501(c)(3) - can be done online thru VA TAX Nonprofit online

- *Federal Identification Number (FEIN) of the organization*
- *Proof of compliance with Branch 5 of Title 57 of the Code of Virginia*
- *An estimate of the organization's annual gross revenue, fundraising expenses and administrative costs*
- *Financial audit or a financial review may be required*
- *Federal Form 990, 990EZ, 990PF or 990N, if required by the Internal Revenue Service*
- *Proof of federal tax-exempt designation 501(c)(3) or (c)(4)*
- *Estimate of tangible personal property purchased in Virginia*
-

1. Form a Corporation through the Commonwealth of Virginia State Corporation Commission

The branch will need to be a form of either a corporation or a trust to fulfill Federal Government requirements. A non-stock corporation is recommended. This is the process to form a Non-stock Corporation from the Commonwealth of Virginia State Corporation Commission Website: Apply online Cost to set one up in Virginia - \$75.00 and cost to renew each year - \$25.00

2. Produce an Annual Report

The local branch will be required to produce an annual report.

3. Appoint One Officer and a Director