

Appendix A
East Tennessee Foundation Fundraising Policy
Guidelines for Fundraising for Component Funds of the Foundation

East Tennessee Foundation (also called ETF or the Foundation in this document) appreciates your interest in raising money to build the component fund (called “the fund” throughout this document) that you have established at ETF. Although the Foundation does not have sufficient staff to assist directly with all the fundraising activities undertaken for the benefit of a fund, we support your enthusiasm for and commitment to raising money for the worthy cause benefited by the fund. Our staff is always available to answer questions and offer guidance regarding a fundraising activity. We especially encourage groups new to fundraising or to hosting a particular type of event to consult with ETF staff as early as possible in the planning process.

Fundraising activities can be very effective in promoting community awareness of a charitable cause and in developing the resources of a fund. But even successful events give rise to serious tax, accounting, and liability issues that need to be properly addressed. And if things go awry with a fundraising event, they can create embarrassment for donors, fundholders, and the Foundation. They can even give rise to significant financial liabilities or tax penalties.

The Foundation has developed the following guidelines to help assure a successful outcome for both you and East Tennessee Foundation. The guidelines will help to ensure that all parties are in compliance with applicable federal, state, and local legal, insurance, and tax requirements and to protect both donors and the Foundation. This policy applies to any individual, group or organization (all called “the Fundraising Group” throughout this document) seeking to raise money for a component fund of ETF. We sincerely appreciate your cooperation in following these guidelines.

Because the Pension Protection Act of 2006 created special restrictions on donor advised funds, not all of these guidelines may be applicable to such funds. In particular, donors and other disqualified persons defined in the legislation may not receive any payments, including reimbursement of reasonable expenses. The law prohibits payments from donor advised funds to individuals and restricts payments to non-charitable entities.

There are several approaches to raising money for a fund. This policy covers three of these approaches:

- “Passive” marketing of the fund
- Independent fundraising
- Fundraising under the auspices of East Tennessee Foundation

“Passive” Marketing of the Fund

You may promote the fund using various forms of “passive” marketing through, for example, newsletter articles, newspaper articles, brochures, websites, posters, information sessions, and appeal letters to friends and associates.

If you conduct passive marketing efforts, East Tennessee Foundation must approve **in advance** all written materials related to solicitations to promote the fund, including letterhead, logos, newspaper articles, brochures, website content, media announcements, appeal letters, etc. All materials must clearly state that the fund is “a fund of East Tennessee Foundation.”

Donors responding to these marketing materials should make their checks payable to East Tennessee Foundation and include the name of the fund on the memo line, and send it directly to the Foundation. Donations must include donor name, address, date, and amount of contribution. The Foundation will comply with IRS requirements and the Foundation’s gift acknowledgment procedures in acknowledging the gift. ETF will periodically provide reports notifying the primary fund contact of the contributions to the fund.

Independent Fundraising

Independent fundraising is the simplest method for conducting fundraising activities if tax deductibility is not an important consideration or if the Fundraising Group is a qualified nonprofit organization that will receive and acknowledge contributions in accordance with IRS requirements. Although contributions to a fundraiser are only tax deductible when they are received and acknowledged directly by a qualified nonprofit organization, tax deductibility may not be an important consideration for your event. Many donors who participate in fundraising events are not doing so to receive a tax deduction. Donors often believe in the purpose of the fundraiser and will make a contribution regardless of the tax benefits to themselves.

In an independent fundraising event, the Fundraising Group, without the endorsement or involvement of ETF, plans and executes the fundraising event. The Fundraising Group makes one lump sum donation to the fund. The event is conducted independently from East Tennessee Foundation, ETF is **not** a sponsor of the event, and the Foundation is not involved in the planning, implementation, or promotion of the event.

The Fundraising Group will make a lump sum contribution of the net proceeds of the event to ETF for addition to the fund. ETF will record the contribution as fundraising income from unidentified third party donors. Individual participants in the fundraising event (such as ticket purchasers, sponsors, or golf players) may **not** make their contributions payable to East Tennessee Foundation, will **not** receive individual acknowledgments from ETF and therefore will **not** be eligible to receive a tax deductible receipt from ETF for any part of their purchase/donation.

Materials related to an independent fundraising event **may not** use the East Tennessee Foundation name, its logo or its tax identification number in connection with the event. It **may** state that proceeds benefit the general purpose of the fund or that it benefits the fund. If publicly stating that proceeds benefit a particular fund, all printed and spoken material must clearly state “the _____ Fund, a component fund of East Tennessee Foundation.” Unless the event is being sponsored by another nonprofit organization, materials **may not** state that contributions are eligible for charitable deductions.

The name of East Tennessee Foundation **may not** be listed on any agreement, contract, certificate of insurance, etc.

The Fundraising Group is responsible for determining, obtaining, and paying for any necessary permits, insurance, approvals, licenses, etc. and complying with applicable laws and regulations. The Fundraising Group should be aware that there are state and local laws and regulations governing many types of fundraising events. The Fundraising Group should also be aware that activities such as auctions (live or silent) or sales of merchandise (including logo items, t-shirts, books, etc.) create potential sales tax liability, and the Fundraising Group is responsible for accounting for and remitting any sales tax owed. Information about Tennessee’s sales and use tax can be found online at <http://www.tn.gov/revenue/taxguides/salesanduse.pdf>.

Fundraising Under the Auspices of East Tennessee Foundation

In situations where the Fundraising Group is not a 501(c)(3) organization and wishes to have individual contributors receive a charitable deduction, the Fundraising Group may request to have East Tennessee Foundation **sponsor** the fundraising event. As sponsor, East Tennessee Foundation becomes inherently responsible for the fundraising event. Therefore, all sponsored fundraising events require advance approval by the East Tennessee Foundation Board of Directors. For fundraising events that are intended to recur annually, only the application for the first year of each such event requires Board approval; applications for subsequent years of these annual events may be approved by the President/CEO or the Senior Vice President for Finance and Administration; the Fundraising Group must submit a complete application each year for review and approval. An additional administrative fee may be charged for all approved events, depending upon the fund type and the level of administrative services needed.

We encourage the Fundraising Group to consult with ETF staff as early as possible in the planning process for advice

and guidance. ETF has developed a Fundraising Application (which is included at the end of this policy) to help the Fundraising Group develop their ideas for a fundraising event. The application provides a convenient way for the Fundraising Group to summarize the key details of the event and plan for a successful event. The first step to obtain ETF sponsorship of a fundraising event is to complete a Fundraising Application. The application will give ETF the information needed to consider the request, information such as a thorough description of the event, a detailed work plan for the event's success, a detailed budget, and a list of the event's organizers. **This application must be completed and approved before ANY activity for the event is begun.** Approval of any event is at the sole discretion of the ETF Board of Directors.

Because of potential liability for state sales tax, auctions (silent or live) and merchandise sales (including logo items, books, t-shirts, mugs, etc.) are not permitted at events sponsored by East Tennessee Foundation or as part of any fundraising under the auspices of East Tennessee Foundation. Fundraising Groups planning auctions or sales may do so independently from the Foundation as described above under Independent Fundraising. East Tennessee Foundation will not sponsor events involving raffles or games of chance.

If approved, the Fundraising Group will proceed with planning and carrying out the event according to the following guidelines. ETF staff will be happy to consult with the Fundraising Group as they develop the plans for the fundraising event.

Use of the East Tennessee Foundation Name, Logo, and Fund Names. The East Tennessee Foundation name and logo may only be used for approved fundraising activities sponsored by East Tennessee Foundation.

Publicity and Marketing. East Tennessee Foundation must approve prior to production and release to the public all publicity and marketing materials, including invitations, programs, brochures, advertising copy, etc. Such materials must state clearly that funds are being raised *on behalf of*, rather than *by* East Tennessee Foundation and must disclose the purpose for which funds are being raised. The Fundraising Group must provide to ETF a final copy of all printed materials, scripts, videos, etc. that are used to publicize the event.

Insurance. Most fundraising events require insurance coverage. Any event sponsored by ETF must be adequately insured. Either the Fundraising Group must obtain insurance (with ETF as a named insured) satisfactory to ETF, or ETF will obtain coverage from its insurer. Costs of additional insurance coverage will be considered an event cost and should be added to the event budget.

Permits, licenses, and approvals. The Fundraising Group is responsible for obtaining all necessary permits, licenses, and approvals. Costs related to obtaining such approvals are an event expense and should be included in the event budget.

Alcohol. Serving alcohol at a fundraising event raises insurance and liability issues that must be addressed to the satisfaction of ETF. The Fundraising Group will need to work with ETF and its insurers to ensure that alcohol is served only by properly licensed and insured personnel/vendors. Proof of adequate insurance and a certificate of insurance naming ETF as an additional insured must be provided to ETF in advance of the event.

Contracts and agreements. All contracts and agreements must be reviewed and approved by ETF. Only authorized officers of ETF may sign any contract or agreement on behalf of ETF.

Budget. Once the event budget is approved, any subsequent changes must be approved by the Foundation in advance.

Contributions. Checks related to the fundraising event (including sponsorships, tickets, etc.) should be made payable to East Tennessee Foundation with the event and fund clearly noted on the memo line. Donations should include the donor's name and address as well as the date and amount of the contribution.

Receipt of Cash. Cash receipts are to be forwarded to the Foundation and deposited intact. That is, cash receipts are **not** to be used to pay expenses and then the net amount deposited. Hand-deliver all cash to ETF's office; DO NOT MAIL cash.

Submitting Contributions. The Fundraising Group must keep an accurate log of all proceeds (cash, check, etc.) it receives. Since audit requirements call for all cash and checks to be deposited within 3 business days of receipt, the Fundraising Group should forward all contributions (cash and checks) along with an accounting of funds received to ETF within three business days of receipt.

Payment of Expenses. Expenses may be paid by the Fundraising Group or by ETF. In either case, the expenses must be consistent with the approved budget and authorized by the designated representative(s) of the Fundraising Group. For expenses to be paid by ETF, the Fundraising Group should provide an original invoice and a written approval from the designated representative. For expenses to be reimbursed by ETF, the individual should provide an itemized statement of expenses and original receipts and written approval from the designated representative of the fundraising group. In planning the event budget, the Fundraising Group should consider cash flow issues and the timing of expenses, because ETF cannot advance funds for payment of fundraising expenses.

Quid pro Quo Disclosures. If goods and services (such as a meal or a round of golf) are provided in exchange for the donation, certain disclosures are required by law. This requires a good faith estimate of the value of goods or services provided and must disclose to the donor that only the portion of the donation in excess of the fair market value of goods and services is tax deductible. The disclosures must be provided in either the solicitation materials or the gift acknowledgment. **Every effort should be made to include the disclosures on the event invitation.** East Tennessee Foundation will assist the Fundraising Group in determining the fair market value of goods and services based upon the information provided in the fundraising application.

Tax Deductibility. Contributions to an East Tennessee Foundation fundraiser are tax deductible to the fullest extent allowed by law. ETF is a nonprofit organization, granted 501(c)(3) status by the Internal Revenue Service (IRS). All donations should include the donor's complete name, address, and amount and date of donation. The Foundation will provide appropriate acknowledgment as required by the current substantiation regulations of the IRS. Donors should contact their personal financial advisor for guidance on their specific situation regarding the deductibility of contributions.

Losses. The Fundraising Group will be responsible for all losses incurred by events. The Foundation will not be held responsible for such losses. The Foundation may require the Fundraising Group to purchase a letter of credit or provide a personal written guarantee.

Grant Applications. Applications to other foundations and funding sources are considered fundraising activities under the auspices of East Tennessee Foundation and must be reviewed and approved by East Tennessee Foundation. All formal grant applications must be signed by ETF's President & CEO.

Responsibilities of the Fundraising Group: The Fundraising Group will retain responsibility for the public fundraising event and matters related to the event, including:

- Completion of the ETF Fundraising Application and Budget;
- Compliance with all ETF fundraising guidelines;
- Solicitation of all donors and participants;
- Full coordination of all planning and activities associated with the event;
- Maintenance of records of all expenses incurred and all monies received by the Fundraising Group;
- Safeguarding all materials related to the event and all monies received by the Fundraising Group;
- Obtaining all necessary permits, licenses, approvals, and liability insurance covering the Foundation;
- Monitoring of all costs and expenses in line with the approved budget and obtaining approval from ETF for deviations from the approved budget;
- Remitting all monies received to ETF within three business days of receipt;
- Providing original invoices and written approval from the authorized contact of the Fundraising Group to ETF for payment of event costs;
- Provision to pay for any financial losses associated with the event;
- Compliance with laws and regulations; and
- Reporting and complying with other requirements of every kind, including tax payment.

Responsibilities of East Tennessee Foundation: East Tennessee Foundation will be responsible for:

- Providing consultation and guidance to the Fundraising Group;
- Reviewing the Fundraising Application and all invitations and publicity;
- Management of event contributions accepted into the component fund from donors and other contributors and other sources;
- Finalizing, with assistance from the Fundraising Group, the estimate of the fair market value of goods and services;
- Assisting the Fundraising Group with obtaining appropriate insurance coverage;
- Disbursement of payment of expenses related to the public fundraising event, in line with the approved budget, at the direction of the Fundraising Group's contact person, up to the amount of the gross proceeds less the administrative fee;
- Application of all net proceeds to charitable uses, all in accord with the governing documents of the Fund and the Foundation; and
- Providing appropriate gift acknowledgments to donors as required by IRS regulations and ETF policies.
- Reporting gifts received and expenses paid to the Fundraising Group.

Thank you for your confidence in East Tennessee Foundation and your efforts to develop the fund you have established at ETF. Please contact our staff to discuss your proposed event or to ask questions about this policy.