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GENERAL

This Practice is a reference for chapter, council and club officers, fund-raising committee members and chairpersons of fund-raising activities for use in planning legal and productive fund-raising efforts.

Fund raising is any activity undertaken to generate revenue. It is conducted to augment the chapter's membership dues and company support, making additional funds available for the chapter's membership, community service and administrative expenses.

Once a chapter/council/club has established a budget for its membership, community service and administrative functions, it is able to determine the level of funding needed to support those efforts. The chapter may then choose to raise funds through one large-scale fund-raising effort that would support all of its projects or to conduct numerous fund-raising efforts that are smaller in scope, possibly with each campaign earmarked for support of a particular activity. Please note that the chapter executive board carries the **fiduciary responsibility** for how all funds are raised and disbursed.

Important note: all state and local tax laws should be understood and considered. A significant fundraising activity for Pioneers is the operation of Pioneer stores. In practically every state there are sales taxes to be collected for one or more governmental body. The same is true for the sales of items sold on company premises ie. nuts, candy etc. Generally states or municipalities have laws governing drawings, raffles, Bingo and other games of chance. Compliance with all such laws for your locality is imperative. To find out about specific laws in your area call the State's Attorney Office or the Department of Revenue. Remember, the "tax exempt" status of TelecomPioneers applies only to *Income Taxes* and no other taxes or laws.

The policy of the TelecomPioneers is that chapters raise funds for community service activities and other charitable activities that benefit from the time and effort of the membership. Gifts of money alone, by the chapter or its subordinate units, are not encouraged, except in cases of a major disaster (see the section on Procedures for Handling Funds).

GUIDELINES FOR FUND RAISING

The guidelines for fund raising are:

1. The means of raising funds must be legal.
2. No unrelated business income should be generated.
3. Projects and related goods or services must not degrade Pioneering in the eyes of employees, sponsor companies or the general public.
4. Outside agencies should not be used to solicit funds. Any proposed contracts with outside agencies should be cleared through the Association offices.
5. Projects that expect to exceed \$100,000 in gross revenues must have advance approval of the Board of Directors of the TelecomPioneers.
6. [Projects that expect to exceed \\$10,000 in gross revenues must have advance approval from the Group Vice President.](#)

7. To maintain a balance between the chapter's business and charitable activities, a minimum of 50 percent of the chapter's net proceeds from fund raising must be utilized for charitable purposes.

FUND RAISING FOR NATURAL DISASTERS

When major disasters strike, Pioneers are often immediately involved helping victims get their lives back in order. Many other chapters will sponsor fund-raising activities in support of the efforts of the local chapter involved with the relief effort.

When a chapter raises funds that will be forwarded on to another chapter directly involved in the relief effort, it may record the funds raised in the chapter's books and any required fund-raising reports to Association headquarters. However, there will be no bottom line effect on the books as all dollars received will be disbursed (i.e., no net income should be realized). The chapter coordinating the disaster relief will then record all funds received on their books as contributions, not fund raising. (See related Practices - Guidelines for Handling a Major Disaster and Procedures for Handling Funds.)

LEGAL

The TelecomPioneers, as a 501(c)(3) organization, is exempt from paying federal income tax. There are, however, other taxes and fees that will need to be paid. Examples include, but are not limited, state sales tax and charitable organization registration fees.

Because an activity is "legal" does not necessarily imply that Pioneers can immediately get involved in such fundraising. Federal, state/provincial and local regulations must be complied with before these fund-raising activities can commence.

Research should be conducted to determine all required regulations before the activity commences. For example, gambling, in one form or another, is currently legal in 48 of the 50 United States and Canada. However, licenses to conduct raffles may be needed; the organization may need to register with a regulatory agency; or fundraisers may need to be bonded.

The chapter must investigate and comply with all regulations before fund raising can commence. In some situations, it may be determined that it is better not to conduct a particular fund-raising activity due to legal compliance requirements.

DISCLOSURE REQUIREMENTS

Restricted - Charitable Account

There are situations where a chapter will conduct a fund raiser to benefit a particular charitable cause. All funds raised from fund-raising activity are *tax deductible* for individual donors under Section 170(c)(4) of the Internal Revenue Code. There is, however, a disclosure requirement associated with these fund-raising activities.

If the fund-raising activity results in something of value being provided to the donor in exchange for their contribution (i.e., dinner or entertainment provided at a fund-raising event), the fund raiser is expected to determine the fair market value of the activity (dinner or entertainment) being provided. The contributor must be notified that only the amount of the donation that exceeds this fair market value is deductible as a charitable contribution. This disclosure must be included in a conspicuous and easily recognizable format on all solicitations.

UNRELATED BUSINESS INCOME

Definition

Unrelated business income is income derived from a business that is **regularly** carried on and unrelated to the organization's exempt purpose. The Pioneers exempt purpose is basically to conduct charitable, environmental and educational programs for the communities in which they live.

The main thrust of the IRS's scrutiny of any exempt organization's fund-raising efforts is to determine whether any of the fund-raising income can be classified as unrelated business income. Any such income would be taxable and, should it reach a significant level, the tax-exempt status could be jeopardized. If any Chapter or sub-unit activity is deemed to be Unrelated Business Income, the that unit shall be responsible for paying any and all income taxes that are levied.

The factor that the IRS uses in determining whether a fund-raising activity is taxable as unrelated business income is if the activity is substantially unrelated to the organization's exempt purpose. If the activity is substantially related, it is not taxed.

NOTE: The IRS does not care what the funds raised are to be used for; it looks at how the funds were raised. The type of activity generating the income, not the final use of the income, determines whether it is taxable.

Exceptions

If an activity is determined by the IRS to be unrelated business income, there are still some specific exceptions available to avoid the payment of Federal income tax. These exceptions are for fund-raising activities that are:

- Irregular,
- Other than a trade or business,
- Sales of donated merchandise,

- Carried on primarily for the benefit or convenience of its members or employees,
- Sales of low-cost merchandise (generally \$5.00 or less),
- Not conducted on a commercial basis and do not violate state or local law (e.g., bingo games),

These are also exempt from Federal taxation. They are:

- Dividends, interest, annuities, certain royalties or any other passive income,
- Funds obtained as contributions,
- Royalties (commissions) from vendors of candy, nuts, etc. sold in company buildings by specifically identified vendors.

FUND-RAISING COMMITTEE

General

Sources of income for Pioneer chapters include dues, donations and fund-raising activities **approved by the chapter executive committee**. Dues, the principle source of Pioneer funds, are fixed. In addition, some sponsor companies give financial support to chapters for Life Member and administrative expenses. However, this funding is usually not enough to carry out the desired programs for the year. As a result, plans must be made to do some type of fund raising, with the goal that the chapter not be completely dependent on sponsor company financial support.

Each chapter/council/club must develop a budget specifying the amount of money it will need in order to carry out its programs. Once that financial goal has been set, the organization can then plan and carry out fund-raising activities that will provide the funds. These activities should also be planned to give Pioneer members an opportunity to work together in fellowship.

Every chapter/council/club should appoint a fund-raising committee to insure that each fund-raising project:

1. Conforms to IRS, federal, state/provincial, and local regulations;
2. Is within the Association's guidelines for fund raising;
3. Produces the needed money;
4. Achieves the fullest participation from Pioneers and others;
5. Provides an opportunity for fellowship through an enjoyable common goal.

Fund-raising activities are not only a great source of enjoyment to Pioneers, but they are also a great opportunity to discover the potential in newer members. Whether the fund-raising committee is a standing committee or appointed for a specific activity is a matter of local decision and is based primarily on the amount needed to carry out the chapter's programs.

Planning

Preparation of the annual budget will enable the fund-raising committee to plan activities that will help achieve its financial goals. All planned fund-raising activities should be submitted to the chapter executive committee for approval. Once approved, the fund-raising committee may proceed with the activities.

When planning fund raising activities, all members of the fund-raising committee, and chapter officers, should have a thorough understanding of federal income tax regulations, as well as state or provincial and local fund-raising regulations and should consider when appropriate taxes apply. This would include consideration for sales or entertainment taxes for sponsored events. This will insure that the fund-raising activities, as well as the funds collected, conform to all applicable regulations and will not jeopardize the tax-exempt status of pioneering.

Questions regarding fund raising should be directed to the Association headquarters Finance department.

All fund-raising activities conducted by councils, clubs or Life Member clubs must adhere to the same legal and tax regulations that chapters adhere to.

When legal questions arise, chapters may be able to get help from their sponsor company legal department, or they can contact the Finance department at Association headquarters.

Publicity

Timely publicity to Pioneer members is essential to running any fund-raising activity. Notices to Pioneers and sponsor company employees announcing an event are inexpensive forms of advertising. If the chapter has a newsletter it may announce its own fund-raising activities in the newsletter. Sponsor company publicity groups or Pioneers with artistic talent may be solicited for help in developing an effective promotion program.

Public advertising by the chapter should only be used for publicizing fund-raising activities where all revenues will be deposited in the Charitable account. Otherwise, the publicity should be restricted to in-house methods such as bulletin boards, flyers and company publications.

RECOMMENDED FUND-RAISING ACTIVITIES

When selecting a fund-raising activity, the fund-raising committee must determine the amount of money needed, the time available for raising the funds, the number of people available to participate, and the location preferences of the chapter. This section discusses some of the more popular fund-raising activities and explains/suggests why some fund-raising activity should not be taxable. The Association strongly recommends that volunteers be used for all fund-raising activities performed by the chapters.

Remember, dedication is the single most important ingredient in making any fund-raising activity a success. The following fund-raising projects have been successful in chapters that embraced them and followed through with commitment. Chapters that did not commit themselves fully, found varying levels of success.

Sale of Pioneer-Made or Donated Articles

Sales of items made by Pioneers themselves are an excellent source of income. Activities such as rummage sales, bake sales, and flea markets (super “garage sales” in company parking lots) are usually quite successful. This type of fund raising is permissible because two exceptions apply: The articles for sale are donated items and volunteers are used to do the fund-raising.

Sale of Purchased Articles (Pioneer Stores)

Sales of manufactured items purchased for resale are popular fund-raising ventures. The needs, tastes, and preferences of potential customers must be taken into account when deciding what (and where) to sell. Candy, greeting cards, even pantyhose, co-branded merchandise are items that have sold well in numerous locations. Since most Pioneer stores sell items valued over \$5.00, volunteers must perform the sale of purchased articles, as that would be the only exception available to avoid the unrelated business income rule.

Vending Machines, Film Processing, Dry Cleaning, Auto Servicing

Many chapters raise funds by offering these and other services that are for the convenience of the membership and employees. Such activities can generate substantial and steady revenue streams as long as they are provided on a consistent basis. Operating vending machines is an allowable fund-raising activity because it will qualify under two exceptions: The machines are operated as member or employee conveniences and volunteers are used to maintain the machines.

Outings and Excursions

Outings and excursions (i.e., picnics, visits to amusement parks, casinos, etc.) are a permissible fund-raising activity as long as volunteers are performing the duties. Additionally, these types of fund-raising activities are usually performed on an irregular basis. In addition, some amusement parks can be bought out for a fixed price, allowing the chapter to host a Pioneer Day at the park.

Entertainment

Entertainment or sports events sponsored by chapters as fund-raising activities are permissible if they are held on an irregular basis and chapter volunteers sell the tickets, with all funds flowing through the chapter’s account. Any paid performers or vendors would be subcontractors.

Company Premises Vendor Sales

Many chapters receive permission from sponsor companies to conduct sales on company premises. At least 20% of the gross sales should go to Pioneering. Sometimes chapters

involve third parties to conduct these sales. The chapter must take care to **insure that all vendor salespeople are accompanied by a Pioneer. The Pioneer that accompanies a vendor is responsible to see that the vendor complies with all company rules and regulations.**

If the Pioneer group does not wish to be responsible for collecting and paying the sales taxes, it should consider a commission or royalty arrangement with the vendor to pay or collect these taxes. In this way the vendor is responsible for the sales taxes.

Games of Chance

There are myriad **rules and regulations that govern** these types of fund raising. However, in general, if a chapter conducts these fund-raising activities on an irregular basis and complies with other applicable laws (see Legal, above), the funds raised will be excepted from unrelated business income regulations.

Tournaments

Chapter sponsorship of golf, bass fishing and other sporting tournaments can be a good source of revenue. Several insurance companies provide hole-in-one insurance. Bass fishing tournament organizers must ensure compliance with all fish and game regulations in the state where the event is held. These tournaments should be held on an irregular basis, with chapter volunteers performing the work.

Special Events

Chapters occasionally have the opportunity to provide volunteers for special civic, organizational or corporate events in exchange for a donation to the chapter. For instance, a major sports events may require volunteer drivers, record keepers, concessionaires, etc. These types of arrangements are permissible, as contributions to the TelecomPioneers are not considered unrelated business income.

Other

Other fund-raising activities are available to chapters to help defray the costs associated with the chapters charitable and fraternal programs. If chapters are interested in pursuing different fund-raising activities, they should develop the fund-raising activity in such a manner as to avoid incurring unrelated business income and be guided by this Practice to insure the good name and **fiduciary integrity** of the Pioneer organization are maintained.

FUND-RAISING ACTIVITIES TO BE AVOIDED

Some fund-raising activities are not recommended:

Rental or Sale of Membership Mailing Lists

Chapter membership lists should not be sold, bartered, or rented to other organizations. In addition to privacy concerns, this type of fund raising (except in certain, very controlled, circumstances) will be classified as unrelated business income and therefore taxable. Once again, the type of compensation does not matter. Chapters approached by

organizations seeking the use of mailing lists should contact the Association headquarters Finance department for guidance.

PIONEER CONTRIBUTIONS

It is the policy of the TelecomPioneers that its members contribute time and energy to community service and charitable activities. Cash contributions, if given, should be combined with Pioneer personal involvement. An example is the renovation of a center for the handicapped, where Pioneers provide the organization and labor, and the building materials are donated or purchased through the charitable fund. Donors contributing to the purchase of materials and supplies through the charitable fund may be given receipts citing that contributions are deductible for income tax purposes under Section 170(c) (4) of the Internal Revenue Code.

Contributions toward the establishment of a scholarship fund should be carefully considered. If a chapter wishes to provide funds for disabled or special students, the amount specified should be presented to the scholarship fund of the school and must not be given to specific individuals.

For other fund raising ideas please see the Appendix on Ideas for Fund Raising.

Newsletter/Newspaper Advertising

In an effort to clearly define what we, as a non-profit Association, can do in terms of newsletter fundraising this covers three major areas:

1. The IRS Code covering fundraising pertinent to us
2. An example of what we can do in our newsletters
3. An example of what is against IRS regulation for fundraising and our newsletters

As always, anything stated below is subject to IRS regulations and determinations.

1. IRS Code: 513(h)(2)(B) (i) **“Treatment of certain sponsorship payments”, part (2) Qualified sponsorship payments** states:

(A) In general. The term “qualified sponsorship payment” means any payment made by any person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit other than the use or acknowledgement of the name or logo (or product lines) of such person’s trade or business in connection with the activities of the organization that receives such payment. Such a use or acknowledgement does not include advertising such person’s products or services (including messages containing qualitative or comparative language, price information, or other indications of savings or value, an endorsement, or an inducement to purchase, sell or use such products or services.”

(B) Limitations.

- a. (i) Contingent payments. The term “qualified sponsorship payment” does not include any payment if the amount of such payment is contingent upon

the level of attendance at one or more events, broadcast ratings or other factors indicating the degree of public exposure to one or more events.

- b. (ii) Safe harbor does not apply to periodicals and qualified convention and trade show activities. The terms “qualified sponsorship payment” does not include-
 - i. any payment which entitles the payor to the user or acknowledgement of the name or logo (or product lines) of the payor’s trade or business in regularly scheduled and printed material published on or behalf of the payee organization that is not related to and primarily distributed in connection with the a specific event conducted by the payee organization, or
 - ii. any payment made in connection with any qualified convention or trade show activity.

2. Allowable newsletter sponsorship:

- a. Sponsor company names and logos
- b. Having company “XYZ” sponsor a newsletter for an entire year with a “Thank you to Company XYZ for their ongoing support of Pioneering”
- c. Any number of sponsor companies which may be listed only as “Thank you to the following companies for their support of Pioneering” . You may list their company name, company address, company phone number and company website

3. Newsletter opportunities that are not acceptable:

- a. Company coupons
- b. Anything that urges the sales of a product or service
- c. Endorsing a company
- d. Endorsing a company’s product or service
- e. Endorsing the quality of a company or it’s associated products/services
- f. Advertisements

4. *Attached is a sample of what would be an acceptable back page of a newsletter- this example complies with legal counsel and the IRS’s definition of having to use “plain text” when providing an “Acknowledgement of Thanks” on a periodical.*

Should you have any other questions regarding newsletter fundraising, sponsorships or advertising, please contact me directly. Thank you for your attention to this important matter.