FUNDRAISING
FUNDAMENTALS

Session 3

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Basic Fundraising Step #1

• Determine “Why” you need to fundraise
  • Meet and identify fundraising needs to fill
  • Establish a firm goal!
  • Keep in mind – knowing absolutely how much and how it will be spent will provide a great deal of motivation and focus when the parents get involved
Fundraising for Success!

Basic Training

S.M.A.R.T.

- **Specific** – well-defined, clear
- **Measurable** – in terms of progress
- **Agreed** – all key officers agree to the goal
- **Realistic** – don’t be too ambitious
- **Timely** – a time frame is built
Basic Fundraising Step #2

• Appoint a Fundraising Coordinator
  • Person should be well-organized
  • They will oversee – guide - direct
Basic Fundraising Step #3

- Determine if you will do one big fundraiser or multiple fundraisers
  - Don’t get too ambitious – or greedy
Basic Fundraising Step #4

• Establish a Fundraising Calendar
  • Plan for a minimum of 6 months in advance

• Find out what’s happening in your community – before committing
Basic Fundraising Tips

- Demographics will play a big role!
  - Participants
  - Community
  - Supporters
- Get it done quickly!
- Focus on the PROFIT margin!
- Eliminate your Risk!
Creative Fundraising Ideas

- Raise $1,000 to $5,000; Washing Windows –
  - Local storefront businesses, 1 story houses
  - Contact local box/hardware store for donated buckets, rags, squeegees
- Washing teams – 3 to 5
- Flyer distribution
  - Email/Phone contact
  - Date Options
Creative Fundraising Ideas

- Raise $1,000 to $5,000; **Individual “Professional” Portraits** –
  - Pick a local photographer – looking to expand client base
  - Photographer who will agree to donate his/her time, in exchange for promotional exposure
  - Contact large companies, hospitals, brokerages for onsite photos
Creative Fundraising Ideas

• Car Washes
  • Average group raises around $200 to $500
  • With prior planning + enhancements = $2,000
  • Has anyone done a $1,000 car wash before?
Creative Fundraising Ideas

• Turning your Car Wash into a $1,000+ fundraiser
  • Get local businesses involved
    • Discounted offer
    • 3 Give-away prizes
  • Secure a location with ample room for cars
  • Pick an event date and alternate date
  • Produce a flyer and ticket
  • List event in local newspaper and media
IFA’s and Cooperative Fundraising

• What is Cooperative Fundraising?
• What are IFA’s?
What are they?

• Cooporative Fundraising;
  • The IRS calls fundraising activities in which individuals receive credit for funds raised as Cooporative Fundraising.

• IFA’s;
  • When records are kept showing how much each parent/student contributed to the fundraising effort, these records are called Individual Fundraising Accounts.
Concerns

• The IRS has stated that cooporative fundraising and IFA’s may disqualify a school booster club from tax exemption.

• To qualify as a public charity under section 501(c)(3) an organization must be operated for public purpose.

• Booster clubs **may not** be primarily operated to help individual members pay the costs of having their kids participate in an extracurricular activity.
• There are several ways an organization can be disqualified from public charity status.
  • One activity that is completely prohibited under IRS rules for 501(c)(3) public charities is *private inurement*.
  • Private inurement occurs if the people who control the organization – including the officers and directors receive a direct financial benefit.
  • Charities must operate for a public purpose and not provide direct financial benefit to the officers and directors.
Another way an organization can be disqualified from public charity status is if undertakes too much *private benefit* activity.

A private benefit activity is any activity that benefits private individuals rather than the broad public purpose of the organization.

The existence of ANY private inurement will disqualify an organization from public charity status, while a limited amount -- or *insubstantial amount* in IRS language -- of private benefit activity is tolerated.
The key IRS writing regarding school booster clubs and their fundraising activities is the 1993 article, *Athletic Booster Clubs: Are They Exempt?*  
- More recent posted on June 27, 2011 titled *Booster Club Dues and Non-exempt Activity*
June 27, 2011

TO:    Director, Exempt Organizations, Examinations SE:T:EO:E
Director, Exempt Organizations, Rulings & Agreements SE:T:EO:RA

FROM: Lois G. Lerner /s/ Lois G. Lerner
Director, Exempt Organizations

SUBJECT: Booster Club Dues and Non-Exempt Activity

In a recent Program Manager Technical Assistance (PMTA) requested by R&A (attached), the Office of Associate Chief Counsel (Income Tax & Accounting) concluded that booster club participants may be eligible to deduct the amount contributed under § 170 to the extent that the contribution exceeds the value of the return benefits received, if the participants intended to make a charitable contribution in the amount of the excess of the contribution over the value of the benefits received.

To clarify for agents and tax law specialists, the PMTA is focused solely on the tax consequences to the individual participants. It does not address the tax-exempt status of the organization, specifically, the possible tax consequences for the organization in situations where a booster club reduces the amount a participant is required to pay based on the amount of fundraising done by that participant.

**Crediting of Fundraising Amounts Constitutes Private Benefit**

If a booster club confers a benefit on a participant in return for their fundraising activities, such as by crediting amounts raised by a participant toward that participant’s dues requirement, or by crediting amounts raised against the cost of a trip, the booster club is providing a private benefit to that participant. Consequently, such practices could result in the organization failing to be described in § 501(c)(3).

**Income from Services**

It is also possible that amounts credited to a participant’s account due to fundraising would constitute income from services, and could result in employment taxes.

Three Key Conclusions

• The IRS has found that engaging in cooperative fundraising activities using of individual fundraising accounts may disqualify an organization for federal tax-exempt status under section 501(c)(3);
• Cooperative fundraising activities are not strictly prohibited under federal law; however,
• If booster clubs engage in cooperative fundraising activities it is recommended that such activities make up only an insubstantial amount of the booster clubs overall activities.
Fundraising for Success!

Basic Training

Questions & Answers