



Contribution Acceptance and Acknowledgement: Please and Thank You

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OBJECTIVES:

Understand how to meet the IRS requirements concerning donor acknowledgements for various types of fundraising activities

Learn ways for finance and development to speak the same language when accepting and acknowledging gifts

Identify situations in which organizations may wish to update or re-think gift acceptance policies



Discussion topic

General rules for tracking, receipting and acknowledging

- donations
- in-kind gifts
- sponsorships

Record Keeping Requirements

Donors must have a bank record or written communication for any monetary contribution

Donors are responsible for obtaining written acknowledgement from a charity for any single contribution of \$250 or more

Failure to obtain = no tax deduction

Charitable organizations are required to provide written disclosure to a donor who receives goods or services in exchange for a single payment of \$75 or more



Written Acknowledgements Must Contain

Name of the organization

Amount of cash contribution

Description (NO value) of non-cash contribution

Statement that no goods or services were provided in return for the contribution, if applicable

Description and good faith estimate of the value of goods and services, if any, provided

Statement that goods or services provided consisted entirely of intangible religious benefits, if applicable



Donor Acknowledgements

Acknowledgements should contain **what** was received and **not** valuations

Special events/auction items require estimated fair value to be disclosed

Do not include values for donated services, equipment, stock, etc.

***IRS Publication 1771 – Charitable Contributions -
Substantiation and Disclosure Requirements***



Quid Pro Quo Requirements

When a payment of \$75 or more is received and the payer receives a benefit in exchange for the payment, the organization is required to value the benefit

Commonly applies to silent auctions or other fundraising events

Failure to do so may result in the exempt organization being subject to penalties and contribution being disallowed to the donor



Discussion topic

Examples and
donor
considerations
of in-kind
contributions



In-Kind Contributions



In-kind Contribution Examples

Defined and broadly used to refer to all noncash gifts

Examples:

- Donated building, land and other long-lived assets

- Contributed items for fund-raising events

- Stock contributions

- Donated investments

- Donated services

- Donated food /clothing

Tax differentiates between noncash and in-kind gifts



Valuation of In-kind Contributions

Gifts in-kind that can be used or sold should be measured at fair value

Considerations:

- Active Market

- Legal or Donor Restrictions on Sale or Use

- Appraisals



In-kind Services Criteria

Creates or enhances a nonfinancial asset

Nonfinancial assets include land, buildings, utilities, materials/supplies, intangible assets, or services

Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided

Accountants, architects, carpenters, doctors, lawyers, plumbers, teachers and other professionals and craftsmen



In-kind Services

If they do not meet the criteria noted, should not be recognized as a contribution

Volunteers

Very important to the organization – take credit in other ways to show

Document volunteer hours

Include in annual report or other financial reporting



Treatment of Volunteers vs. Loaned Staff

Volunteer labor is **not** recognized for tax purposes

Loaned staff or paid executives are not volunteers

Recognize a contribution and applicable expenses



Special Events and Silent Auctions

Considerations

Valuation and acknowledgment to donor attending the event

How to thank donors

Benefit to donor and tax deduction

IRS guidelines on how to estimate the benefit received for special events, including in-kinds that are given to offset the cost of the event



Discussion topic

Sponsorships and
what is
considered a
charitable
donation



Qualified Sponsorship Payments (QSP)

Payment from which the donor does not expect any substantial return benefit other than the use or acknowledgement of the sponsor's name, logo, or products

“Qualified sponsorship payments” are tax exempt

Excluded from calculation of unrelated business income

Advertising revenue is generally unrelated business income



Qualified Sponsorship Payments

Irrelevant whether the sponsored activity is related or unrelated to the organization's exempt purpose

Cannot be contingent upon the level of attendance at an event

Payment must be allocated if substantial return and other benefits are included in the package – must first allocate FMV to substantial return benefit



Substantial Return Benefit

Includes

advertising,
exclusive provider arrangements,
goods,
services, and
other privileges.



Substantial Return Benefit Excludes

Sponsor's recognition through:

- sponsor's name/logo

- slogans that are part of the sponsors identity or that do not contain qualitative or comparative descriptions

- listing of sponsor's locations, telephone #'s, or internet addresses

- value-neutral descriptions

- sponsor's brand or trade names and product listings

Display or distribution of the sponsor's product by the sponsor or exempt org. at the sponsored activity

Hyperlink on the exempt org. website to the sponsor's site – cannot contain any endorsement or promotion & must link to home vs. sales page



DiMinimis Exclusion

If the value of all benefits provided to the sponsor is not more than 2% of the amount of the sponsor's payment, all benefits may be disregarded for the purposes of "substantial return benefit"

Requires determination based on value of all amounts in a sponsor's package



Advertising

Always deemed to be a substantial return benefit and taxable as UBI

Advertising includes

- qualitative or comparative language
- price information or indication of savings or value
- endorsements
- inducements to buy



Advertising vs. Sponsorship Agreements

Clearly designate the type of payment within the agreement

If the payment is anticipated to be a corporate sponsorship, the agreement should contain the appropriate language

Fair market value of benefits received should be noted within the agreement

Recipient must decline benefits up-front if the amounts are not to be valued

Organization should retain “editorial discretion” over all acknowledgements

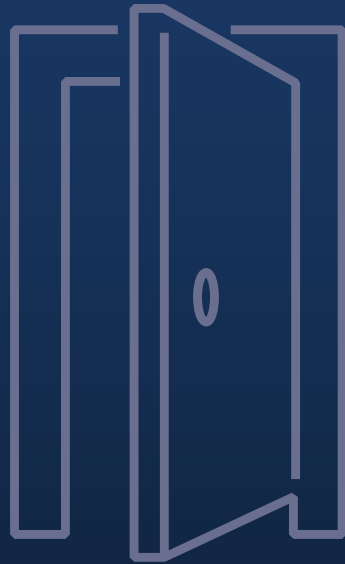


Donor Communications

- Ensuring you are communicating consistently with the donor
 - Development
 - Finance
- What is the intent
- Is it in writing



Questions?



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