



Chapter 3

Fundraising & Donations

CHAPTER OUTLINE

1. Registration & reporting
 2. Written acknowledgement (substantiation)
 3. Restricted gifts
 4. Fundraising activities
 5. Legal Checklist: Fundraising & Donations
- Chapter 3 Summary: Fundraising & Donations
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INTRODUCTION

A car needs fuel, and for a nonprofit, fuel is money. When a nonprofit accepts other people's money for a charitable purpose, the organization agrees to abide by laws that require such money be spent on the purposes for which it was intended. There are state and federal rules that tell a nonprofit how to communicate about money received, how to account for the money, and what kinds of fundraising an organization can conduct.

1. REGISTRATION & REPORTING

In Washington, nonprofits that solicit members of the public for donations and raise at least \$50,000 annually or pay anyone to carry out the activities of the organization must register as a Charitable Organization with the Secretary of State, and file yearly reports with the state. The report is due no later than the last business day of the 11th month after the end of the organization's accounting year. Registration is also required if the organization engages a commercial fundraiser. Churches are not required to register.

2. WRITTEN ACKNOWLEDGEMENT (SUBSTANTIATION)

Donations above a certain limit are only tax-deductible if the donor has a written acknowledgement of the gift. Donors should receive written acknowledgement in the case of a:

- Single contribution of \$250 or more
- Single contribution of \$75 or more where goods or services were received by the donor (unless the goods were incidental, such as a coffee mug)

Written acknowledgement should include:

- Name of organization
- Amount of cash contribution
- Description (not value) of non-cash contribution
- Statement that no goods or services were provided, if that was the case
- Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution

There are also special rules around donations of certain types of property, such as vehicles, works of art, conservation easements, and property valued at more than \$500.

3. RESTRICTED GIFTS

Contributions restricted by the donor must be used in accordance with any donor-imposed restrictions on that gift, whether the donor restricts a gift as to purpose or expenditure. Restricted gifts require additional tracking and accounting to ensure the funds are stewarded appropriately and used for the intended purpose. One type of restricted gift is an endowment.

Nonprofits with income-producing assets of \$250,000 or more may need to register as a Charitable Trust with the Secretary of State.



Nonprofit Association of Washington's [Finance Unlocked for Nonprofits](#) guide goes deeper into nonprofit finance, including funds with donor restrictions. See Chapter 4, Giving.

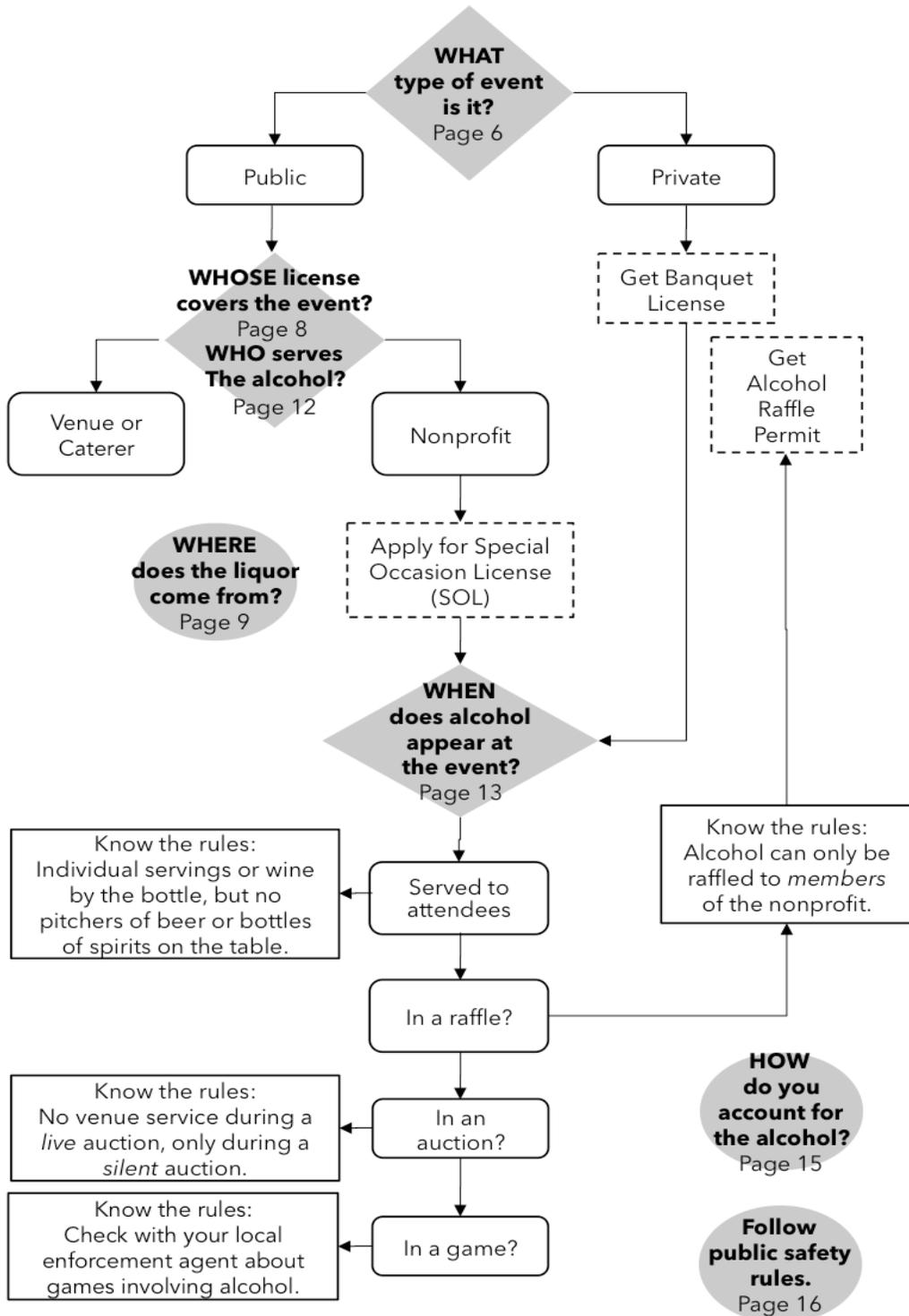
4. FUNDRAISING ACTIVITIES

Many nonprofits hold events or conduct other fundraising activities in order to raise money. Some of those activities may be subject to other laws.

- **Raffles:** May require a license (See the Washington State Gambling Commission for more information.)
- **Gaming & gambling:** May require a license (See the Washington State Gambling Commission for more information.)
- **Auctions:** May involve paying sales taxes on tangible property
- **Alcohol:** Requires a liquor license



Having alcohol at your event can be complicated. Use this chart from Nonprofit Association of Washington's *Liquor, Cannabis, Gambling...and Your Fundraising Event* guide to decide what licenses your organization will need. (Page numbers referenced in the chart are for the *Liquor, Cannabis, Gambling...* guide.)



5. LEGAL CHECKLIST: FUNDRAISING & DONATIONS

If YES, date sent or reviewed	NO	ITEM
REGISTRATION AS A CHARITY		
		If our organization solicits charitable donations from the general public, it complies with Washington’s Charitable Solicitations Act, including registration and annual reporting requirements.
GIFT ACKNOWLEDGEMENT		
		Our organization acknowledges, in writing, gifts of \$250 or more.
IN-KIND		
		If our organization provides any goods or services of more than a nominal value to a donor who makes a contribution in excess of \$75.00, our organization provides a disclosure statement to the donor with a good faith estimate of the fair market value of any benefit that the donor received.
		If our organization receives gifts of vehicles or other non-cash gifts, it understands and follows the IRS regulations for substantiation of those gifts.



1. In Washington, nonprofits that solicit members of the public for donations and raise at least \$50,000 annually or pay anyone to carry out the activities of the organization must (1) register as a Charitable Organization and (2) file yearly reports with the State.
2. Certain donations require written acknowledgement for the donor to be able to take a tax-deduction.
3. In some cases, donors may restrict how their gift can be used. An endowment is one kind of restricted gift.
4. A number of laws impact how an organization can raise money, from holding a raffle to serving alcohol. Disclosure requirements apply to nonprofits.



Here are some questions to think about:

- For donations received, does your nonprofit have a system for written acknowledgements that meets the required elements outlined in this chapter?
- If your nonprofit has funds with donor restrictions, do you know what the tracking and accounting requirements are? Is your organization following through on required tracking?
- What are your major fundraising activities? Do the activities involve alcohol and/or gambling, and if so, is your nonprofit staying compliant?

Reflections



Next steps:

- ❑ Review your nonprofit’s current process for written gift acknowledgement. Use the following resources to check that your organization’s approach meets IRS regulations.
 - National Council of Nonprofits – [Gift Acknowledgements: Saying ‘Thank You’ to Donors](#)
 - IRS Charitable Contributions – [Substantiating Charitable Contributions](#) and [Quid Pro Quo Contributions](#)
- ❑ Review Propel Nonprofits [Managing Restricted Funds resource](#) to gain a deeper understanding on funds with and without restrictions.