



## Fundraising Finance Overview

Many branches request contributions or participate in other types of fund raising, with the amounts received to be used either for specific projects or general branch purposes. Legal and ethical issues such as using donations in accordance with the donor’s intent need to be considered in these efforts. Some rules differ depending on whether the branch is organized as a 501(c)(3) or 501(c)(4) organization. The [Branch Treasurer’s Accounting Guide](#) has a helpful chart (shown below) delineating the differences between branches organized as public charities – 501(c)(3) and those with 501(c)(4) status.

Branch Type	501(c)(3)		501(c)(4)			
	Any		AAUW Funds		Non AAUW Funds even if they are 501(c)(3) (e.g., Scholarships, Tech Trek)	
Donation Type	Deductible	Amount	Deductible	Amount	Deductible	Amount
Direct Donations to Beneficiary	Yes	\$\$ donated	Yes	\$\$ donated	Yes	\$\$ donated
Raffles	No	0	No	\$ -	No	\$ -
Auction Bidder	Yes	\$\$ paid for item over value of item received	Yes	\$\$ paid for item over value of item received	No	\$ -
Auction Donor of Auctioned Item	Yes	Lesser of tax basis or value	Yes	Lesser of tax basis or value	No	\$ -
Out of Pocket	Yes	\$\$ paid for item	Yes	\$\$ paid for item	No	\$ -
Ticket Sales Collected by Branch	Yes	\$\$ paid for item over value received	Yes	\$\$ paid for item over value received	<b>No</b>	\$ -

To legally raise funds in the state of California, each branch must be registered with the State Attorney General’s office. The initial registration cost is \$50 and is filed on Form CT-1 found at this website: <https://oag.ca.gov/charities>.

### Soliciting, Acknowledging, and Tracking Contributions

For contributions to a branch to be tax deductible to the donor, the branch needs to be organized as a 501(c)(3) public charity. While volunteer time is not deductible, out-of-pocket expenses and a modest



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amount for mileage driven may also be deductible for members of branches organized as a 501(c)(3) public charity. Contributions to the branch (whether 501(c)(3) or 501(c)(4)) earmarked for AAUW Funds are tax deductible.

**If the branch is a 501(c)(4)** organization, in order to be deductible, member contributions made to Tech Trek or a special project fund should be made payable to AAUW CA SPF with the specific camp or project in the memo line. For Tech Trek, treasurers will forward checks to the appropriate camp treasurer by using deposit forms found on the AAUW California website [here](#). For other projects using SPF funds, checks should be forwarded to SPF using the deposit form on the SPF website [here](#).

**If the branch is a 501(c)(3)** organization, checks made payable to the branch can be deposited in the branch account and sent as a branch check for the total amount using the same forms as above, but using the branch name as the donor. In this case, the branch's 501(c)(3) status provides tax deductibility to the donor and donors need to be acknowledged by the branch as described below. If donor checks are made to SPF, the process for 501(c)(4) branches described above should be used.

**Acknowledging Contributions** - 501(c)(3) organizations are legally required to acknowledge contributions of \$250 or more in writing. The following are the required components of the acknowledgement:

- a. Name of the organization and tax-exempt status.
- b. Amount of cash contribution.
- c. Description (but not value) of non-cash contribution.
- d. Statement that no substantial goods or services were provided by the organization. If anything of a value of over 2% of the gift (for example, CD sets or other premiums often used in Public Television campaigns), the deduction is the amount in excess of the value of the premium. (For more specifics on acknowledgements, see IRS Publication 1771)
- e. Sample language follows:

Thank you for your generous contribution of \$xxxx to AAUW – Central California. It will be used to provide scholarships to women pursuing advanced degrees. Thank you for helping women realize their dreams for higher education.

Since AAUW – Central California is a 501(c)(3) not-for-profit under the IRS code, your contribution is tax-deductible to the extent the law permits.

You have received no goods of value in exchange for your contribution.

**Tracking Contributions** - If the contribution was for a specific purpose, it must be tracked separately in branch accounting until used for the intended purpose. For example, money raised for a local STEM conference must be used for that event. Anything remaining should be noted in the accounting records until expended.

**Contributions to AAUW Funds** that will be forwarded to national need to be tracked as a liability in a separate bookkeeping account. It is not necessary to use a separate bank account. Contributions sent to AAUW Funds should be accompanied by [this form](#).



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**Contributions for Scholarships** – Some branches raise funds to be used for scholarships. Clear guidelines for such programs are important and may have tax status implications for branches and/or personal tax consequences for donors. For more information see AAUW Fund Raising Policy 502 – Scholarship Programs of AAUW Affiliates [here](#).

For **501(c)(4)** branches, to be deductible, contributions for scholarships must be made directly to the tax-deductible entity such as a college scholarship foundation or SPF projects.

**Donations from an IRA and donations of stock** – Contributors may wish to make gifts directly from an Individual Retirement Account or a stock portfolio. Transfers directly from the relevant account to a 501(c)(3) branch or other tax-deductible entity may provide increased tax benefits to the donor. Prospective donors should be advised to consult their tax advisors.

**Fund Raising Events** - If a 501(c)(3) branch conducts fund raising that takes place as part of an event, such as a special dinner, only the amount over and above the fair market value of the event is a contribution, and the breakdown of the price needs to be clearly stated. For example, a luncheon is held for which the cost is \$75 per attendee, and the value of the meal is \$30. Therefore the contribution amount is \$45. For a 501(c)(4) branch, the above applies only to AAUW Funds events. For more information on events with ticket sales, see [here](#).

**Raffles** - Raffles are never tax deductible, as the ticket purchaser is receiving an opportunity to win. California has very strict rules on raffles, requiring that at least 90% of the proceeds must go to charity. This means that 50/50 raffles are now illegal. For branches holding raffles, California requires the filing of Form CT-NRP-1 (Nonprofit Raffle Annual Registration) and Form CT-NRP-2 (Nonprofit Raffle Annual Report). For more information on raffles, see the State of CA website at <http://oag.ca.gov/charities/raffles> . Also, see [this document](#).

**Auctions** - The lesser of the cost or current value of Items contributed to auctions conducted by 501(c)(3) branches are tax deductible to the donor. If the eventual purchase price exceeds the fair market value, the difference between the two is deductible to the purchaser. See [here](#) for the document on auctions and deductions.

**Product Sales** – Sales of items such as T-shirts, aprons, tote bags, etc involves the collection and remittance of sales taxes to the state, county and city involved. See California Publication 18, Nonprofit Organizations reference for information <https://www.cdtfa.ca.gov/formspubs/pub18.pdf>

**AAUW Dues** - All but \$3 of AAUW national dues are tax deductible as contributions for all members. Since \$3 of the national dues support the Advocacy Action fund, that portion is not deductible. California state dues are not deductible as AAUW California is a 501(c)(4) organization. If a branch is a 501(c)(3) organization, branch dues are also deductible. More information on dues is available [here](#).