

## LWVIL EDUCATION FUND GUIDELINES

### BACKGROUND

In September 1970 the LWVUS reported that “part of every League budget can be financed by deductible money. All of Voters Service and any educational programs which do not promote or lobby for a League position qualify. The percentage of administrative costs which support these services and programs also qualifies.”

Although part of every League budget can be financed by tax deductible money, deductible contributions cannot be made directly to the local or state League due to the lobbying activities in which it engages. In order to accept deductible contributions, a separate organization for citizen education activities was established by the LWVIL. The League of Women Voters of Illinois Education Fund (LWVILEF) was established under Illinois law in 1979. In November of that year it was recognized by the Internal Revenue Service as qualifying under Section 501(c)(3) of the Internal Revenue Code as an organization that may accept contributions that are considered to be tax deductible for the donor.

The LWVILEF is a nonprofit corporation organized under its own bylaws and operated exclusively for educational purposes. The LWVILEF does not attempt to influence legislation but rather supplements and extends the citizen education aspects of League work. The officers and directors of the LWVIL serve as the officers and directors of the LWVILEF and conduct its meetings and activities.

The LWVILEF receives money from:

- Gifts made directly to the LWVILEF that are either restricted for specific projects or are unrestricted. (Restricted gifts are contributions earmarked for specific purposes, frequently as a result of a grant proposal. Unrestricted gifts are contributions made to the general operating fund.)
- Gifts that are made to a local League's account are restricted and held until the local League requests its use.

### LOCAL LEAGUE ACCOUNTS IN THE LWVILEF

#### How to Establish an Account:

The LWVILEF provides local Leagues with a means of soliciting and utilizing tax deductible contributions. A local League may establish a LWVILEF account (an earmarked fund account) to deposit tax deductible funds for unrestricted and/or restricted projects providing that the requirements which have been established to preserve the IRS 501(c)(3) status and to facilitate the handling of the accounts are met.

A LWVILEF local League account may be opened when:

- (1) the local League sends a check from an individual donor or business for \$25.00 or more made out to the LWVILEF specifying that an account is to be opened in the name of the local League, or
- (2) the state League opens an account for a local League in order to “share” a portion of an unrestricted contribution to the Illinois League.

#### How Contributions to the Local Accounts Should Be Made

Checks that are to be deposited must be made payable to the League of Women Voters of Illinois Education Fund. If a check is made payable to the local League, please add “Education Fund” to the check so that it can be deposited in your Ed Fund account. Checks mistakenly made payable to the LWVIL or another party must be returned to the donor for correction or to be reissued. **We currently have a bank account with Merrill Lynch, and they will not accept checks unless they are made out correctly to the Education Fund (no third party checks or ones made out to the name of a project). Merrill Lynch also does not accept cash deposits; please convert your cash to**

**a check before sending it to LWVILEF.** All checks must be deposited in LWVILEF only. **Do not deposit these checks to your local account and write a check to LWVILEF.** Only the LWVILEF has an IRS 501(c)(3) status – not the local League. The local League is responsible for acknowledging the gift and thanking the donor (see additional details below in Notes about IRS rules). If requested, the LWVILEF will send an official receipt.

Surplus funds, or profits, on projects must stay on deposit in the Local league account at LWVILEF. If sales of a publication result in a profit, or some budgeted funds for projects are unspent, these funds will remain in the local League account at LWVILEF. For example, a “Know Your Town” booklet published through the LWVILEF can be sold at a profit as long as the money derived from sales is returned to the LWVILEF.

### **How Funds Should Be Withdrawn**

In order to protect its tax deductible status, the LWVILEF must pay bills for approved local League uses directly. Local Leagues are requested to complete an Income & Expense form and submit bills directly to the LWVILEF for payment. If only a part of the project is to be funded with tax deductible monies, that part should be clearly stated on the application in order to pay it from the LWVILEF.

If a check must be written by a local League as payment for an approved use, the local League must submit an itemized statement of costs, including documentation such as bills, receipts, etc. Multiple bills for a single project should be sent for payment at one time.

### **How the Account Is Administered**

To keep an account active, a local League must maintain a minimum balance of \$25.00. In lieu of a service charge to cover the LWVILEF costs for establishing and retaining the account, interest on the first \$1,500 in the account accrues to LWVILEF.

When an account has been established for a local League, the Bookkeeper of the LWVILEF sends a report to the local League for any month in which a deposit or withdrawal is made. An annual statement is sent to the local League at the end of the fiscal year. The local League should keep a record of its account. The amount in the LWVILEF account should appear on a League’s financial report as a separate item; it should not be included as part of the operating balance.

If a local League maintains an average minimum balance of \$1,500 during an entire fiscal year, the League receives an interest credit on the principle in its fund in excess of \$1,500. The interest rate used to calculate the amount of the credit is half of the average annual interest rate received by LWVILEF on those funds. It is paid yearly in the last month of the fiscal year.

A policy adopted by the LWVILEF Board in May 1997 adds a service charge to local Leagues which run large projects through their Ed Fund accounts. Any local League which has an income of over \$10,000 during the fiscal year is assessed a service charge amounting to 1.75% of their gross income. The additional charges cover staff costs for handling the increased workload and additional audit expense. The local League continues to earn interest according to the current policy in effect.

### **Separate Accounts**

The LWVILEF will establish a separate Ed Fund checking account for a local League if that League so requests and maintains a minimum balance of \$25,000 in the Education Fund. Interest on this separate account will accrue to that League’s Ed Fund each month. A service charge will be deducted at the end of the fiscal year according to the policy described above. In addition, a separate charge will be added to cover staff time for maintaining the separate bank account.

If a local League maintains an average annual minimum balance of between \$5,000 and \$25,000, it may request that the LWVILEF establish a separate financial instrument (such as a Certificate of Deposit) for its funds. The

local League would receive the interest earned on this investment, and the LWVILEF would assess its service charge based on the amount of the interest earned and an assessment of the work involved in the maintenance of the account.

### **How The Account May Be Used**

A local League may use its LWVILEF funds in several ways:

- (1) Educational Projects. Local League educational projects must be factual and may not mention or advocate (i.e., lobby) LWV positions. Examples include: Know Your Town pamphlets, directories of public officials or of service providers in the community, voters service activities, forums, education projects, etc. In order to use Ed Fund money, the local League must complete the **Local League Application for LWVIL Education Fund Project** form and send it to the state League office for approval by the LWVILEF Treasurer at least one month before the project is to be started. If the Treasurer denies use of LWVILEF monies for a project and the local League has incurred expenses from it, the local League will be responsible for those debts.

A project should be submitted for approval before funds are raised for a new proposal, including grant proposals. However, if a local League has raised deductible funds and a project is denied, the funds will stay on deposit for future projects of that local League.

If a publication is to be funded with Education Fund money, pre-publication approval is necessary. This requirement means that adequate time must be allowed for a final draft to reach the state office prior to printing.

All printed matter should contain a statement crediting the LWVILEF and may recognizing the donor(s). The statement may read: "Funding was made possible by the League of Women Voters of Illinois Education Fund to the (\_\_\_\_\_) League through a grant by the XYZ Company."

After a project is completed a brief report of it should be sent to the state office along with any sample material that was produced. Copies of pamphlets and guides, etc. are maintained at the office as samples and ideas for other local Leagues.

- (2) Per-Member-Payments. Local Leagues may choose to pay up to 25% of their state PMP and up to 50% of their national PMP with tax deductible funds. This may be done by submitting a check from an individual donor or business made payable to the LWVILEF together with a notation that those funds are to be applied to that League's PMP. It is not necessary to open a LWVILEF account to do so. Alternatively, a local League may satisfy a portion of its PMP obligation with tax deductible funds by requesting a transfer of unrestricted funds from its LWVILEF account
- (3) Educational Publications. Local Leagues may apply their unrestricted LWVILEF funds toward purchase of educational publications for the general public or for their own use.
- (4) Educational Studies. Local Leagues may apply their unrestricted LWVILEF funds toward expenses of studies (local, state, or national). These expenses cover only materials involved in the study phase, which includes materials prepared for the consensus as well as consensus meeting expenses. **Action on positions cannot be funded by Education Fund dollars.**
- (5) Web-site. Liability Insurance. Local Leagues may apply their unrestricted LWVILEF funds towards payment of 25% of the cost of their web site and/or the liability insurance premium covering their meetings and events.

The expenses of all voter service activities, such as debates, voters guides, and registration drives, may be covered by Ed Fund dollars. Expenses of educational seminars, forums or events, such as part or all of a State of the Community Dinner, may be underwritten by the League's Education Fund.

## Notes about IRS rules

- **Acknowledgment of Donations of \$250 or more**  
Beginning January 1, 1994, a donor was not allowed a charitable deduction for a contribution payment of \$250 or more unless he or she had an acknowledgment from the receiving organization. While the law specifies that it is the responsibility of the donor to request the acknowledgment, we recommend that all donations of \$250 or more be recognized in writing, specifying the amount of the donation and the date received. It is the local League's responsibility to provide these acknowledgments.
  
- **Disclosure by Charity of Receipt of Quid Pro Quo Contribution**  
Beginning January 1, 1994, a charitable organization must provide a written disclosure statement to donors who make a payment, described as a "quid pro quo contribution" in excess of \$75 (a quid pro quo contribution is a payment made partly as a contribution and partly for goods or services received). For example, a donor makes a contribution of \$100 for a local League Ed Fund dinner and the dinner is valued at \$40, the \$60 would be deductible. The total payment was more than \$75 so the disclosure statement must be furnished. This rule applies only to Ed Fund solicitations. Leagues holding fund raisers for their general operating fund need to disclose that the donation is **not** tax deductible.
  
- **Written disclosure statement must:**
  1. Inform the donor the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money contributed over the value of goods or services provided.
  2. Provide the donor with a good-faith estimate of the value of the goods or services that the donor received.
  3. The local League may furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the League presented the statement in connection with the solicitation, it is not necessary to present the statement with receipt of the contribution.
  4. The disclosure must be in writing and large enough to be reasonably noticed by the donor.
  5. The penalty for failure to make the disclosure on a contribution of over \$75 is \$10 per contribution, not to exceed \$5000 per event or mailing.

Please address any questions to the LWVIL Bookkeeper or Treasurer.