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# *Fundraising Event Financing*

## *...Success Toolbox™*

### *Planning for Financial Success*

As with all business ventures, to achieve the greatest profit, your fundraising event requires careful financial planning and detailed record keeping. While the financial management responsibilities of this event may not be tremendously exciting, the Finance and Underwriting Committee will play an important role in the successful outcome of the event. The committee will be responsible for the following items:

- ◆ Developing fundraising goals for the event
- ◆ Developing and managing a comprehensive event budget
- ◆ Developing appropriate ticket prices
- ◆ Compiling of a list of prospective event sponsors
- ◆ Developing strategies for solicitation of donations and event sponsors
- ◆ Developing and presenting to potential event sponsors a formal proposal for participation in your event
- ◆ Paying all bills and expenses
- ◆ Maintaining accurate financial records
- ◆ Preparing a final accounting of the event
- ◆ Sending “thank you” letters and appropriate gifts to all individuals and businesses providing sponsorship and/or donations
- ◆ Making financial presentations to the Event Planning Committee

The Finance and Underwriting Committee may elect to have sub-committees. These committees may include Underwriting and Sponsorship, Auction, and Thank You committees. You may also want to appoint one individual with the responsibility of purchasing all required supplies and equipment. However, if your fundraising event is fairly simple, it is generally recommended that additional sub-committees not be established, as they increase the need for communication. However, if your event is more complex, establishing sub-committees is an excellent way to delegate responsibilities.

## *Developing Fundraising Goals*

The first step in financial planning is the establishment of fundraising goals for your project. This process typically involves the entire Planning Committee and the Event Chairperson. It is extremely important to involve all of the committee members in this process as they must share in the vision of the project and the level of work associated with the fundraising goal. This ensures that individuals doing the hard work remain motivated to achieve the goals of the project.

Establishing the financial goals for your fundraising event is not as simple as it appears. Generally, this process involves a variety of important considerations, including the following:

- ◆ The financial needs of your organization
- ◆ The number of volunteers available to produce your event
- ◆ The number of individuals available to participate in your event (those willing to purchase tickets)
- ◆ The average ticket prices for similar events in your community
- ◆ Other events scheduled in the same time period, and how this competition will impact your project
- ◆ The financial ability of your past supporters to pay set ticket prices, make donations or purchase auction items
- ◆ The ability of raising additional funds through sponsorship and underwriting

Perhaps the most important consideration is the complexity of the event selected by your committee. Events with lower financial goals tend to be easier to produce and, therefore, require fewer volunteers and less time. In contrast, events with higher financial goals generally require more volunteer hours, a greater level of seed funding and a larger time commitment from key committee members.

## *Setting Financial Goals*

While the goals of your organization will be specific to your group, we suggest that you use the following goals as a guideline to develop your plans. All of the goals for your event will not necessarily be financial, as you will wish to balance all of the issues your organization would like to address. By making small adjustments to the following list, your committee may complete this important step fairly easily.

### *Goals*

- 1) To raise between \$5,000 and \$60,000 (select a specific number) for use by our organization in the funding of our project (describe project.)
- 2) To produce an event that fosters a positive relationship with our event sponsors and underwriters, ensuring that they benefit from the relationship and continue their involvement in future years.
- 3) To balance our fundraising goals with our desire to produce an event that builds camaraderie and friendship while encouraging our members to get to know each other better.
- 4) To produce an event that does not burn out our leaders and committee members while building a foundation for future events.

## *Increasing Your Profit Potential*

The profit potential for your event may be enhanced in a variety of ways. The following list of suggestions may be used to stimulate a committee brainstorming session to help establish your financial goals:

- ◆ Increase ticket price (obviously the higher the price the greater the profit)
- ◆ Move event to a larger location, allowing more people to attend
- ◆ Offer upgraded tickets (i.e. a more expensive ticket that includes VIP seating, a private reception or an event souvenir)
- ◆ Sell a “sponsorship level” ticket (i.e. an individual or business could sponsor a whole table to an event at a higher ticket price and then invite their friends or clients to be their guests)
- ◆ Trade out tickets for the purchase of goods (make sure the goods you receive are both required and have a higher value than if the tickets were sold)
- ◆ Increase the number of donations

- ◆ Use free tag-on advertisements rather than ads paid for by the proceeds of the event
- ◆ Add a live or silent auction to the event
- ◆ Add a raffle to the event (check local and state gaming laws)
- ◆ Add a mini contest to the event (i.e. the sale of table center pieces, etc.)
- ◆ Increase the number of event sponsors or the financial commitment of each sponsor
- ◆ Negotiate the cost of all required items (discounts, items sold at cost, partial donations)
- ◆ Use only volunteers to produce the event
- ◆ Borrow equipment (including decorations)
- ◆ Manage food preparation with volunteers
- ◆ Feature a no-host bar rather than a hosted bar
- ◆ Feature a BYOB (if state alcohol policies permit)
- ◆ Ensure that rented or borrowed equipment is carefully managed in order to avoid penalties for items that are lost, damaged or returned after deadlines
- ◆ Ensure that volunteers show up when assigned to clean-up duty. This will help avoid paying someone for this task or paying unnecessary clean-up fees at the facility
- ◆ Sell merchandise or specialty items highlighting the logo of the event

### *Developing Your Event Budget*

Obviously, the specific budget for your fundraising event will depend on the complexity and the fundraising goals established by the organization. Once these decisions have been made, the development of the actual budget is relatively simple. The most important consideration is ensuring that your budget is realistic and the financial projections are within reach. (It makes little sense to anticipate the sale of 500 tickets if your organization has typically sold 100 tickets to previous events.) Establishing realistic financial objectives and budget targets are critical to the success of your event.

Once the final decision is made regarding your specific event, the budget may be developed. This will include a detailed list of items to be purchased as well as the categories of income for the event. Each of these items will have a dollar figure assigned to it based on past experience or a realistic view of the cost of the item. If you do not know the cost of a specific item, take the time to call a few suppliers. Misjudging your budget may be fatal!

While budget items will vary depending on your final event selection, the following list is provided as a guideline for your budgeting process. You will need to add any additional items that are unique to your event or specific to your market.

### Expenses

- ◆ Printing of posters, flyers, tickets and other materials
- ◆ General administrative expenses (telephone, postage, etc.)
- ◆ Event insurance
- ◆ Facility rent
- ◆ Catering (or food, if you are preparing it with volunteers)
- ◆ Entertainment
- ◆ Soft drinks, wine, beer or liquor
- ◆ Decorations
- ◆ Paid advertising
- ◆ Paid staff (if any)
- ◆ Gifts and prizes
- ◆ Event souvenirs (mints, T-shirts, wine glasses, etc.)

### Income

- ◆ Ticket revenue (base ticket price)
- ◆ Ticket revenue (upgraded ticket price)
- ◆ Event sponsorships and underwriting
- ◆ Auction income (if appropriate)
- ◆ Raffle income (if appropriate)
- ◆ Souvenir sales
- ◆ Alcohol, beverage and food sales

## *Establishing the Ticket Price*

Once the budget has been established, it is possible to develop the final ticket price. This process is fairly simple and requires six pieces of information:

- 1) Total budgeted expense
- 2) Fundraising goal
- 3) Anticipated sponsorship income
- 4) Anticipated attendance
- 5) Number of free or complimentary tickets to be used
- 6) Cost of souvenir give-aways

Once you have established realistic projections for the items listed above, the ticket price may be developed. Simply add the projected expenses (item 1) to the fundraising goal (item 2). This number will equal the total income required to achieve your financial goal. From this number, subtract your anticipated sponsorship income (item 3). The remaining number is equal to the income requirement from ticket sales. The next step is to divide this number by the anticipated number of ticket sales (item 4). It should be noted that if your event can only accommodate a limited number of people, the total anticipated ticket sales figures should be reduced by the number of free or complimentary tickets anticipated (item 5).

Expenses  
Fundraising Goal  
Income Required  
Sponsorship Income  
Remaining Income Required  
Estimated Sales (less complimentary tickets)  
Ticket Price

If your committee elects to include a souvenir gift as an element of your event, you may wish to address this cost at this point. For example, you may give each guest a wine glass or a coffee mug featuring the event logo. To ensure that you achieve your financial goals, simply add the cost of this item to your ticket price (as developed with the above formula.) For example, if the formula results in a \$50 ticket price and the mug costs \$3, your final ticket price could be set at \$53 (or \$55.)

If your event can accommodate an unlimited number of people, the total anticipated sales should be an extremely realistic projection. If you develop your final ticket price with the assumption that 400 people will purchase tickets and sales levels only reach 300, your actual event income will only reach 75% of your projected goal. Obviously, it is essential to be cautious in projecting the ticket sales. It's always better to underestimate ticket sales than to over estimate.

***TIP:*** *Before you commit to a final ticket price, carefully evaluate the price based on your local market. For example, if the formula results in a \$30 price, and local fundraising events typically charge \$60, you*

*should probably increase your ticket price (and raise more money!)  
However, if the formula results in a price exceeding the local norm,  
you must reevaluate your budget.*

## *Maintaining Detailed Records*

For some unknown reason, even the most seasoned business professionals often find it next to impossible to maintain accurate financial records for a non-profit fundraising event. However, this step is important to the success of both this year's event as well as next year's. Maintaining accurate records is often difficult because all volunteers work on a part-time basis and cannot dedicate their complete attention to details. In addition, this task is often made more difficult by the large number of individuals involved in the event. While it is not the most exciting element of the event, maintaining detailed financial records is paramount for the following reasons:

- ◆ Provides an important measurement of the committee's success at reaching its goals.
- ◆ Provides the information required to determine the profit (or loss) of your event. This information is used for announcements to your committee and organization which may be very motivating (except if you lost money!)
- ◆ Used to develop important tax documentation.
- ◆ Critical for the planning process of future events.

***TIP:** The financial accounting system should be developed in the early stages of event planning. It is always easier to maintain financial records as transactions occur, rather than waiting until the event is over and searching for receipts through your briefcase, car glove compartment, and desk drawers.*

Other than the difficult challenge of coordinating the collection of receipts from a variety of volunteers, the process of financial accounting for your fundraising event may actually be quite simple. We recommend that you use the following guidelines:

- 1) Assign one individual the task of paying all bills and maintaining the financial records.
- 2) Establish a financial control system in the early stages of event planning.
- 3) If possible, add your fundraising event as an account in your business or personal computer accounting system. (Simple and inexpensive software may make this process easy.)

- 4) Make copies of all sales receipts and checks used for payment, and keep them in a separate file.
- 5) If you use a computerized financial control system, it is helpful to pay bills and receive income in the same categories used in the development of your event budget. This allows the committee to evaluate the success or failure of each financial goal. While this step is not mandatory, it may be extremely helpful in planning next year's event.
- 6) Be prepared to make a financial report at all committee meetings that include the total expenditures and the total income to date. If possible, this report may also include a review of the projected budget and amount of money spent in each category in relation to the original budget item.
- 7) By maintaining financial records on an on-going basis, it will be possible to determine the profit (or loss) immediately following the event. It is always helpful to make an announcement about the money raised from the event as soon as possible, as your organization will wish to celebrate its success.
- 8) The final financial results of your event should be typed (or neatly printed) and placed in your event file for use in planning next year's project.
- 9) The financial success of your event should be highlighted in "thank you" letters sent to event sponsors, key volunteers, and individuals and businesses making donations.

## *Sponsorships*

The concept of event sponsorship is often critical to the success of a fundraising event. Essentially, the sponsor(s) provides financial support in exchange for associating their name or the business name with your event and organization. Often successful events have more than one sponsor.

It is important to differentiate between the concept of an event sponsor and soliciting donations for your event. A donation is typically a small cash or in-kind gift. This might include providing the printing of posters at cost or a \$100 gift to underwrite the cost of postage. In contrast, an event sponsor provides a much larger financial contribution. Many businesses consider sponsorships the same as advertising. As such, they may utilize their advertising budget to support your event.

***TIP:** The level of sponsorship should have a commensurate relationship to the cost of the production. For example, if an event costs \$10,000 to produce, don't give a sponsor "top billing" for \$100. While there is no rule of thumb, just make sure that sponsorship income is appropriate and/or worth the effort.*

The relationship between your organization and the sponsors must be mutually beneficial. If your sponsors don't feel their association with the event benefits them, it will be extremely difficult to attract sponsors for future events.

***TIP:** Perhaps the greatest mistake made by organizations planning fundraising events is not adequately addressing the needs of the sponsor, or celebrating their gift in a positive way.*

Supporting your event sponsors may be handled in a variety of ways. In fact, it is likely that individual sponsors will have unique needs. The following list may be used as a guideline in determining how to address the needs of your sponsor, and in the development of a formal sponsorship proposal:

- 1) Name recognition for the individual or business on all event promotional materials, including posters, flyers, invitations, etc., may be provided.
- 2) Store traffic, at the sponsor's retail establishment, may be increased through the sale of tickets or novelty items for your event.
- 3) Through the use of promotional tag-ons as well as the event's radio, television and newspaper advertisements, the sponsor's business may be associated with the event. Many retail establishments increase their advertising schedules during the holidays. Using tag-ons may be an ideal tool if your event is held during the holiday season.
- 4) Encourage retail stores to offer coupons or specials to event attendees. (Coupons may also be printed on the back of your tickets!)
- 5) Recognize sponsors at the event. This may be as simple as saying "thank you" and encouraging a group applause. You may also recognize sponsors through event signage such as the marquee at the facility hosting the event. If this is not available, you may feature the sponsor on a quality sign showcased at your event.
- 6) Send a letter to the editor of your local newspaper after the event thanking the primary sponsors (sponsors love this!).
- 7) Encourage all members of your organization to support the sponsors by patronizing their business. Remind members to tell the sponsors that they appreciate their support, while purchasing their products or services.
- 8) Provide counter top signage or window decals signifying that the business is a financial sponsor of the organization.
- 9) Send timely and positive "thank you" letters.

### *Developing a Sponsorship Prospect List*

The first step in implementing your sponsorship program is the development of a prospect target list. This list will actually contain two categories: sponsorship opportunities and sponsorship prospects.

In the development of your list of sponsorship opportunities, it is often helpful to brainstorm with your entire Planning Committee. The goal of this process is to identify all of the potential opportunities for event sponsorship.

The following list is provided to stimulate your ideas regarding sponsorship opportunities for your event. Your committee may add ideas that are unique to your event and community.

- 1) Primary event sponsor or sponsors (there may be more than one event sponsor)
- 2) Sponsorship of entertainment (D.J. services or band)
- 3) Sponsorship of major prize(s) in a raffle, drawing or auction
- 4) Sponsorship and/or underwriting of marketing costs (i.e. invitations could include the identification of a sponsor indicating that the printing and postage for the promotion of this event is sponsored by Anderson's Print Shop)
- 5) Table sponsors (it is often appropriate for a sponsor to purchase tickets for an entire table and then be listed with other sponsors for the event - this is usually sold at a higher price than single tickets)
- 6) Dinner/food sponsors
- 7) Souvenir sponsors or underwriters

The second list your committee will develop will include prospective sponsors. Again, it is helpful to brainstorm this list with the entire Planning Committee, as each committee member may have relationships with businesses and individuals likely to sponsor your event. It is always helpful to review the sponsorship opportunities when brainstorming the prospect list, as there may be a logical connection between an opportunity and a potential sponsor. (For example, a local printer may sponsor your event by providing all printing at no cost.) When developing your prospect list, it is also helpful to review a list of sponsors from past events produced by your organization, as well as sponsors from other events held in your community.

### *Developing a Formal Sponsorship Proposal*

A professional and well thought out proposal will help your sponsorship program achieve maximum success. It is not likely that individuals or businesses will provide significant

financial support if your presentation is unprofessional. After all, this presentation will be viewed as a reflection of the quality of your event.

***TIP:** More often than not, businesses receive more requests for donations and financial sponsorships than they can support. They therefore say “No” more often than they say “Yes”. Recognizing that recruiting sponsors is a competitive business, developing a sophisticated professional approach will go a long way toward supporting your sponsorship efforts.*

Even the most professionally developed sponsorship proposal may be enhanced by ensuring that the individual making the proposal has a relationship with the prospective sponsor. Fundraising efforts are always more successful when they recognize the important fact that “people give to people they know”.

***TIP:** Your committee should carefully strategize each individual sponsorship prospect to determine who in the group should make the request.*

## *The Sponsorship Proposal*

Prior to developing the formal sponsorship proposal, it is extremely important that the group develop a detailed strategy for each prospective sponsor. As mentioned, the prospective sponsor should be approached by someone they know. In addition, it is important that the strategy include an analysis of the appropriate level for the sponsorship request. If a business has never sponsored an event for more than \$1,000.00, it may be unreasonable to request \$10,000.00. In contrast, if a business has a history of sponsoring events for as much as \$5,000.00, it may be counter-productive to develop a proposal for a \$500.00 sponsorship. Analyzing the appropriate level for your request must be part of your sponsorship strategy.

In addition to the above mentioned criteria, there are a variety of other considerations that should be included in your analysis. These include the following:

- ◆ Areas of interest of the prospective sponsor (and their family)
- ◆ Recent financial and business success of the sponsor
- ◆ Past sponsorship support of your organization
- ◆ Past history of sponsorship for other local organizations
- ◆ Type of business and volume of advertising purchased by the prospective sponsor (businesses with large advertising budgets may support your event in a variety of ways)
- ◆ The time of year and business cycle of the prospective sponsor (it is rarely successful to approach sponsors during extremely busy times)

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Once your strategy has been determined, the actual sponsorship proposal may be developed. It is generally recommended that if your organization has a personal contact with the prospective sponsor, a casual conversation is the best first step. This will allow you to evaluate the sponsor's level of interest in your project. It should be noted, however, that it is often best to not provide specific information about the sponsorship during this initial contact. If the prospective sponsor indicates interest in your project, it is then appropriate to develop a more formal proposal.

The written proposal may be developed in one of two formats. The first concept is to include all of the information in a letter to the prospective sponsor. The second concept is to provide a shorter letter with an enclosed proposal in a more formal format. In either case, the contents of the proposal will be the same. The following outline may be used as a guideline:

- 1) **Introduction** - The introductory paragraph should be warm and friendly and make reference to the initial conversation. As an example, it may say, "I wanted to follow up on our conversation regarding the upcoming *Holiday Magic* event and your potential involvement in this exciting project."
- 2) **Description of the event** - This paragraph should accurately describe your *Holiday Magic* event and the entire concept for the fundraising activity.
- 3) **How the event proceeds will be used** - It is important to convey to the prospective sponsor the importance of the money raised from your *Holiday Magic*. This might include a reminder of the goals of your organization as well as the specific use of the money raised from this project. If your organization or event provides a great deal of benefit to your local community, it should be highlighted. In addition, if your research has indicated that the prospective sponsor has a particular passion for the cause of your organization, this should also be mentioned.
- 4) **Who will be attending your event** - The prospective sponsor will want to know who will be attending your event (as well as who supports your organization). Hopefully, the target audience for your event is similar to the target market for your sponsor's business.
- 5) **How the event will be advertised** - Provide the sponsor with a detailed plan for how the event will be promoted and/or advertised. This should include a reference to the position that the sponsor's business will be placed in your advertisement. In addition, if your sponsorship request indicates the use of the sponsor's advertising budget (or tag-on), this should be mentioned.
- 6) **Benefits to the sponsor** - As with all sales presentations, your sponsorship proposal must highlight the advantages of participation in your event. The sponsor will want to know that you have developed concepts to insure that the relationship benefits both your organization and the sponsoring business.

- 7) **The formal request** - Your proposal must include a specific financial request. It is never effective to “beat around the bush”. If your request is for sponsorship of a specific aspect of the event, this should be highlighted. For example, the request may be for the sponsor to provide \$1,000.00 to underwrite the cost of entertainment. In addition, in this paragraph, you should include a description of the other sponsors that may be involved in the event. If your plans include 3 sponsors at \$1,500.00, each prospective sponsor should be aware of this. In contrast, if you are requesting \$5,000.00 for an exclusive sponsorship, the prospective sponsor should be aware of this as well.
- 8) **Past success of the organization** - Prior to ending your proposal make reference to the past successes of your organization. If you have held other fundraising events that have been successful, prospective sponsors will be more motivated to support your activity.
- 9) **Next steps** - In closing your letter or proposal, you should always refer to the next steps in the process. For example, the letter may say, “I’m looking forward to discussing your participation in our *Holiday Magic*. I will call you within the next week to set up a time to meet.”

## **6.10 The Letter of Commitment**

Once a prospective sponsor has agreed to participate, it is important to carefully articulate the commitments of both the sponsor and the organization. This may be handled through a simple letter that may serve as both a “thank you” and a “Letter of Commitment”. This letter should be sent within one week of receiving the indication from the sponsor of their commitment. This letter should include a detailed list of the commitments made from the sponsor as well as those made by the organization. A sample is included at the end of this chapter.

## **6.11 Underwriting and Other Donations**

In addition to your formal sponsorship efforts, your event may achieve greater financial success if you aggressively work to solicit donations and underwriting. These are slightly different than sponsorships.

Generally, the concept of underwriting includes a cash contribution to support your event by an individual and/or business not seeking to have a sponsor relationship. For example, a wealthy individual who supports your organization may elect to donate \$1,000.00 toward the underwriting of *Holiday Magic*. Another example would be an individual or business contributing \$1,500.00 to underwrite the cost of postage and printing of invitations. This underwriting relationship may be included in the actual printed materials mailed out. It should be noted that the actual recognition of the underwriter is

something that should be thoroughly discussed with the individual making the contribution. In some cases, individuals may choose to make their financial gifts anonymously.

Soliciting donations may also provide support to the financial goals of your project. Your committee may wish to brainstorm a list of the items required to produce your event and which of those may be donated by local businesses and individuals. During this process it is helpful to remember that donations are not always the provision of materials at no cost. Often supplies, equipment and materials may be borrowed. In addition, some businesses will donate a portion of the cost of materials and may be willing to sell you products at their cost.

## **6.12 Celebration and Recognition**

As mentioned, recognizing your sponsors and other supporters, as well as celebrating their gift, is extremely important. In addition to insuring that the relationship is beneficial to your sponsors, this step makes your prospects for long term sponsorship much brighter. (While doing this may not make you a hero, if you skip this step, next year's committee will view you as the goat!)

If you do nothing else...you *MUST* send a "thank you" note. (Remember when you were in fifth grade and your mother made you send "thank you's" to grandma? That's what we are doing right now!) In addition, the following ideas might be used to further enhance the relationship:

- 1) Recognition at the event with a round of applause
- 2) Ample signage at the event featuring the sponsor(s)
- 3) Inclusion on all printed materials and advertising (including a program at the event)
- 4) If appropriate, let the sponsor make a few remarks (keep it short)
- 5) Special sponsor tables or seating areas (VIP seats)
- 6) Committee members working at the event may wear hats, buttons or shirts featuring the sponsor's business
- 7) Send a small gift the day after the event (perhaps a balloon bouquet, a single flower or an event souvenir)
- 8) Include a mention of the sponsor(s) in a letter to the editor of your local newspaper

- 9) Place a paid advertisement in the local paper thanking the sponsors (make sure you mention the amount of money raised)
- 10) Mention the sponsor(s) in your organization's news letters (before or after the event)
- 11) Encourage members to patronize the sponsor's business

In addition to recognizing the support of your sponsors, it is the role of this committee to thank all volunteers, committee members and other individuals involved in making your event successful. Ask each committee to provide a list of names to insure that no one gets left out. You may wish to consider the following:

- ◆ All volunteers
- ◆ All committee members
- ◆ Sponsors, underwriters and donors (including in-kind gifts and those selling products at cost)
- ◆ Helpful facility personnel
- ◆ Caterers
- ◆ Entertainers
- ◆ Florists
- ◆ Photographers
- ◆ Press and other media
- ◆ Committee Chair and the President of the Organization
- ◆ Any others you can think of
- ◆ Your behind the scenes special event team at *Event In A Box*<sup>TM</sup> would like to hear your success story too! Give us a call at **1-800-747-0903**.

It is often appropriate and appreciated to hold a small get together or party as an added way to celebrate your success. The invitation list should include everyone mentioned above. The party may be a simple wine and appetizer get together or as elaborate as your budget will allow.

We recommend that the get together be simple and casual and held at a time when everyone can attend (after work is usually great). Although this is an optional function, it is a great way to begin to build excitement for next year's event! It also helps reduce "special event burn out".

## **6.13 Tax Requirements for Donations**

The Internal Revenue Service now requires that tax-exempt 501(c)(3) charities provide written substantiation and disclosure to donors regarding contributions. Although the responsibility lies with the donor for requesting written documentation, the staff at *Event In A Box*<sup>TM</sup> recommends that your organization provide this information immediately following donations as a courtesy to your donors and to avoid the year end rush of requests. Written documentation is required for the following donations:

- 1) **Donations of cash or property of \$250 or more**
- 2) **Donations of \$75 or more, where the donor receives goods/services in exchange for a donation (quid pro quo contributions)**

### **Donations of \$250 or More**

A donor will need written substantiation verifying all cash and property (includes items for auctions, office supplies/equipment, in-kind contributions, real estate, and other non-cash contributions) donated, valued at \$250 or more (per section 170 of the Internal Revenue Service code). Separate payments (donations) are regarded as independent contributions and are not aggregated for the purpose of measuring the \$250 threshold.

### **Quid Pro Quo Contributions**

Your organization must provide a written disclosure statement to donors who make “quid pro quo contributions” in excess of \$75. *It is the responsibility of the charity to provide this statement upon solicitation or receipt of donation.* These are contributions and payments made partly as a contribution and partly for goods or services provided to the donor (for example, event tickets). Separate payments of \$75 or less made at separate times of the year for separate fundraising events will not be aggregated for the purpose of reaching the \$75 threshold. The donor is eligible to deduct the amount above the determined value of goods/services received. For example, if your event ticket price is \$100, and your good faith estimate of the value of the event is \$40, \$60 would be deductible. *It is the responsibility of the charity to determine a “good faith value” of the goods or services rendered.* For example, the event value should include the cost to attend the event, including entertainment, food and beverage. There are no hard and fast rules to determine the value of an event. We recommend that the following statement be included on your invitation, flyers, tickets and/or program in a manner that is reasonably likely to come to the attention of the donor (don't use 2 point type!):

*Contributions deductible for federal income tax purposes are limited to the excess of any money (or property value) contributed by the donor over the value of goods and services provided. The value of the tickets for this event are \$xx per ticket. The amount deductible per ticket is \$xx.*

**Note that Penalties are imposed on charities that do not meet the disclosure requirements.**

The written substantiation must include the following information:

- ◆ Amount of cash contribution
- ◆ Description of property donated (donor to determine value of property)
- ◆ Notation of goods or services received for donation (if none, the substantiation must so state)
- ◆ Good faith estimate of value of goods/services received
- ◆ The amount of the contribution that is deductible

We recommend that a simple tax receipt be furnished to each donor upon receipt of the donation or quid pro quo contribution for ALL donations received. A sample tax receipt is enclosed for your use, and *should* meet IRS requirements. For complete information regarding tax deductible contributions please consult your tax specialist and review IRS publication number 1771 (11-93).

## **6.14 Cutting Costs in the Purchasing Process**

Once your committee has exhausted all sponsorship, underwriting and donation opportunities, you will obviously be left with a list of items that must be purchased. It is important to remember that the cost of purchasing these items will directly impact the fundraising success of your project. While it is certainly appropriate to pay for many items to produce your event, it is also helpful to find ways of reducing the costs. The following list of ideas may be used to accomplish this goal:

- 1) Assign one person the responsibility for all shopping. While this may be difficult, it is often a great tip for controlling the costs of your event.
- 2) Get 3 bids for large expenditures.
- 3) Make a detailed list of the items to be purchased prior to starting the process.
- 4) Review the purchasing list to determine which items may be borrowed.
- 5) Review the purchasing list to determine if any of the items already exist in the inventory of your organization. (For example, you may already have paper plates left over from last year's event.)
- 6) Determine if items can be purchased "at cost" from a local business that may already be a supporter of your organization.
- 7) Determine if items can be rented instead of purchased.
- 8) Explore whether some items can be purchased on a consignment basis. For example, you may be able to purchase soft drinks or wine on consignment from your local store, allowing you to return those items not opened.

- 9) Negotiate prices, when appropriate.
- 10) Be extremely careful not to over buy. (Those 6 dozen T-shirts left over from your event four years ago are just taking up shelf space.)
- 11) Never “guess” in your budget. If you don’t know the cost of a specific item, make a few telephone calls to determine the actual cost.

**Success Toolbox™** is a trademark of VenueTech Management Group, LLC. This service offers free informational downloads designed to provide ideas for professional staff and community volunteers in the areas of fundraising, event planning, capital campaigns, facility management, arts planning and historic preservation.

**VenueTech Management Group, LLC** is a full service consulting and management firm involved in the business planning, capital development and direct management of community-based organizations and public assembly facilities. A significant portion of the firm’s business is focused on the use of entertainment, cultural arts and public venues as a catalyst for economic development. The firm also specializes in building private-public partnerships, managing performing arts venues and the restoration of historic structures.

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