**Program to Accept Charitable Gifts for Cooperative Development Projects (revised 2/27/19)**

Financing the development of cooperatives, especially start-ups, is typically a long process, most often relying on traditional member equity investments (e.g. purchase of membership shares, purchase of preferred shares, or making of member loans) and traditional debt (e.g. loans from banks, credit unions, etc.). These traditional forms of member equity are expressions of ownership, and are of incredible value to the cooperative.

However, not all members of a community are able to or interested in making such investments. A common alternative request is for an opportunity to express support for a project through philanthropic tax-deductible contributions. While typically almost anyone can give money to support a project as a pure gift, the only way a tax-advantaged contribution can be accomplished is through a donation to a charitable and educational organization holding an appropriate Letter of Determination from the IRS.

The Cooperative Development Fund of CDS (the Fund) is such an organization with a mission to support the wise use of cooperative approaches through education and development. The organization meets the requirements for a charitable and educational institution as described in Chapter 501(c)3 of the federal tax code, and demonstrates compliance by filing annual financial statements (Form 990) with the IRS.

Since 2009, we have developed a system to help qualifying projects receive support through donation of charitable gifts. The basics of the program are:

1. **Project discussion and creation of a Memorandum of Understanding, if appropriate**: The Cooperative Development Fund of CDS (the Fund) holds an IRS letter of determination from the IRS to support the wise use and development of cooperatively owned businesses. To ensure that projects supported by the Fund are consistent with the purposes of the Fund, we require an intake conversation about the proposed project; the conversation may require submission of additional written information. If Fund management determines that the project is appropriate for the Fund, then we will create an MOU between the Fund and the Project that defines the terms of the relationship, including fees. The MOU also serves to protect the project, since it creates an obligation for the Fund to use donations to support the project by paying for eligible expenses. A sample MOU is enclosed with this packet.
2. **State registration for charitable contributions**: Each state has its own rules for regulating nonprofits and nonprofit fundraising, with the intent of protecting the public from giving to disreputable organizations. In general, the Fund is the entity that must register with each state, and that registration must be in place prior to the solicitation of gifts to the Fund. The Fund maintains registration in Wisconsin and Minnesota annually, and register in other states as required by the needs of our clients. New registrations in states other than Wisconsin or Minnesota often take 4-8 weeks to complete, depending on the specific state requirements.
3. **Asking for donations**: Most states want to know how donations will be received, and whether professional fundraisers have been retained to solicit contributions. We will discuss this during the intake conversation, but it is the Fund’s policy to not hire or contract for the services of professional fundraisers. Further, it is our policy to not work with groups who hire professional fundraising organizations to do their charitable solicitations. It is our preference to work with community-based co-ops, steering committees and similar organizations who have volunteers making asks on behalf of the project.
4. **Making/receiving donations**: Once state registration has been achieved, solicitations of gifts can begin. We encourage the following approaches:

* ***Charitable gifts are NOT the same as memberships or investments***. Volunteers working on behalf of the project should be clear that a gift (whether tax-advantaged or not) is just that: a gift. No other item of value (e.g. membership share, voting rights, member discount, etc.) should be provided to donors of charitable gifts. This generally does not extend to recognition of gifts (newsletter shout-outs, “Wall of Supporters” recognition, other public recognition, etc.).
* ***Donations by checks are preferred, payable to Cooperative Development Fund of CDS***: We encourage local steering or fundraising committees to have donors make contributions by check. While we do maintain an electronic portal, we find the cost of this service to be almost as much as the fees we charge groups. We continue to seek cost effective ways of handling online donations, but until then, we strongly prefer to work with checks. If the client is expecting a number of donations in a modest period of time (at and shortly following a fundraising event, for example), please collect the checks and periodically send them to us at our St. Paul office address. Please keep your own copies of the checks mailed so that can double-check our records with you if problems arise. Please make sure the donations are payable to Cooperative Development Fund of CDS; **do not use** other organizational names such as “CDS” or “Cooperative Development Services”.
* ***Donations of publicly traded stocks or other similar securities is possible***: The Fund maintains a brokerage account and has the capacity to receive donations of publicly traded securities. Talk to us for more information.
* ***Grant fiscal agency***: The Fund has capacity to serve as the applicant and fiscal agent for state, federal and foundation grant funds. We are happy to discuss this if it is of interest.
* ***Other fundraising approaches***: The Fund has limited experience with other donation platforms, but previously we have worked with corporate foundations and allied organizations who are willing to match employee contributions; we have also had some experience in receiving Facebook fundraiser contributions. We are open to conversations about how we might serve your fundraising needs.
* ***Mailing checks to us***: The address of our St. Paul office is:

Cooperative Development Fund of CDS

145 W. University Avenue Suite 450

St. Paul MN 55103

* ***Charitable donations of $200 and above will be recognized in writing by the Fund***. The Fund will send a written letter of acknowledgement to donors of $200 or more; the donors will need such letters for their records should they seek to deduct their gift on their tax returns. Donors of less than $200 have other options for supporting their claim of deductibility and do not require a written letter of acknowledgement from the Fund. Having said that, the Client is encouraged to express their appreciation to all donors as well (thank you notes, personal calls, etc. are all excellent donor appreciation practices), but the Client does not have authority to issue statements regarding tax deductibility; only the Fund can do that.
* ***Holding donated funds***: Once received, we deposit donor checks into our credit union accounts. We will subtract administrative fees and make the balance available for you to spend for eligible uses as described in the MOU; interest earnings are not paid on funds being held for Clients. Funds held on behalf of clients are never commingled with our other organizational operating funds. Periodic statements of contributions and expenditures from the Client’s accounts will be provided.
* ***Expending donated funds***: The MOU will identify the eligible uses for the funds held in your account; these uses are defined as a way of ensuring that the donated funds are used for purposes appropriate to our tax-exempt status. There are two ways we will spend funds from your account. We will reimburse Client for eligible expenses, upon presentation of a paid invoice; or we will directly pay a vendor’s invoice for an eligible expense. Regardless of method, at no time will we expend more money for the project than is currently in their account.
* ***Administrative fees***: The Fund will deduct administrative fees on all donations upon deposit into our credit union accounts. Administrative fees are used to cover expenses such as staff time to review the project and create an MOU; staff time to research, develop, file, and maintain state registrations; accounting, audit expenses, and check fees, among others. Fee levels may change in the future based on actual costs incurred for program administration. Our current fee schedule is:
* For charitable contributions, an administrative fee will be assessed at the rate of 10% of the first $75,000 in contributions; a marginal rate of 8% for contributions in excess of $75,000 but less than $125,000; a marginal rate of 6% on all contributions in excess of an aggregated $125,000. This amount may be revised annually to reflect actual costs of program operation and regulatory compliance.
* For each public or foundation grant where the Fund serves as fiscal agent, an administrative fee of 10% of the first $5000 of grant funds plus 5% of funds awarded in excess of $5000. This amount may be revised annually to reflect actual costs of program operation and regulatory compliance.