



Community Impact Program Program Manual

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About the Program

The Edina Community Foundation is the incubator for the Edina nonprofit community, and the Community Impact Program is where it all begins. The Community Impact Program is designed to support new and/or small charitable projects with no tax-exempt status. As a Community Impact partner, you will be able to raise tax-exempt funds from donors and use the funds to support the charitable work of your project.

Some of our projects aspire to become their own separate tax-exempt organization; many others just want a way to solicit funds for a single project or event.

Eligibility

To qualify for the Community Impact Program, organizations must:

- Have a qualifying tax-exempt charitable purpose that is consistent with the mission of the Edina Community Foundation.
- Serve Edina residents, though they do not need to serve Edina residents exclusively; or have organizers with a meaningful connection to Edina.
- Be incorporated in Minnesota, and have a Federal EIN and a bank account. It's not difficult to do—see the “After Your Application has been Approved” section below for more information.
- Use raised funds for qualifying charitable purposes. Funds should not be used for lobbying or to influence legislation. This constraint refers to the actual use of the funds—organizations are permitted to participate in general advocacy.

What is a Qualifying Tax-Exempt Charitable Purpose?

Your organization should be involved in qualifying tax-exempt charitable work, and ECF can only approve grants with a qualifying tax-exempt charitable purpose. Generally, charitable work is directed towards the general well-being of society and serves the public good. Charitable work may involve relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; or erecting or maintaining public buildings, monuments, or parks. More specifically, qualifying charitable work can not provide benefit to the donor(s).

Application Process

Through your application, we want to get a sense of who you are and what you are trying to achieve with your project. You will be asked to provide information about project organizers, the charitable work of the organization, and the organization's connection to Edina. In addition, we'll want to know a little about the basic operating framework of the organization, and about your fundraising and impact goals for the first three years.

[Here](#) is a link to the application.

Total time from application to approval is typically 4-6 weeks. New applications are reviewed and approved by the Edina Community Foundation Board of Directors, so it takes a little time to get that done.

If your project is approved, we will work with you to complete a written agreement between your organization and the Edina Community Foundation.

After Your Application has been Approved...

Before signing a sponsorship agreement with the Edina Community Foundation, you will need to register your business with the state of Minnesota, obtain a Federal EIN, and open a bank account for your organization. Doing this will provide some protection to the organizers and the sponsor, and make day-to-day management and tax compliance easier and cleaner.

[Here](#) is the link to register a new nonprofit corporation. It's quick and easy, and costs only \$70 by mail or \$90 online. Renewal is free.

[Here](#) is the link to obtain a Federal EIN from the IRS. It is free.

Having registered with the state and obtaining a Federal EIN, you'll be able to open a checking account at the bank of your choice.

Please note that the Edina Community Foundation's General Liability insurance, Workers Compensation insurance, and Director and Officers insurance policies do not cover our fiscally sponsored projects/organizations. We'd recommend looking for an insurance policy or set of policies that best fits the work you're going to do and your current scale.

Program Fees

Our goal is to cover the administrative costs of the program while still providing a good value to our partners, compared to the cost of other fiscal sponsor programs. Here is the fee schedule:

- No application or acceptance fee
- 6% fee on all contributions
- \$60 annual Membership Fee (prorated first year), debited January 1
- 6 free grants per calendar year (prorated first year), \$20 per grant after that charged at time of the additional grant
- ECF processes contributions and grants on the 15th day and the last day of each month, there is a \$20 rush fee for expedited grants charged when expedited grant is processed

Renewal & Annual Report

Fiscal sponsorship agreements automatically renew at the beginning of each year, as long as you submit a brief Annual Report that is due in January. Projects that do not have sufficient funds available to cover the annual Membership Fee, also due in January, will be closed.

The Annual Report is a brief, online form that helps us stay connected with you and lets us know how you are doing. You'll be asked to describe your fundraising and impact performance compared to your goals, and update the contact information for your project. [Here](#) is a link to the online Annual Report form.

Soliciting Funds

Donated Income vs. Earned Income

The only funds that legally must come through a fiscal sponsor are any type of “contributed income”—donations, grants, or other funds that are tax-deductible. If your organization has non-donated income (from things like ticket sales) it is called “earned income,” and should not be processed through your Community Impact Program account.

Donations

Contributions from individuals often make up the largest source of income for nonprofit organizations. By using a fiscal sponsor, donations to your project can be tax-deductible for your donors, but you must follow certain guidelines.

You must properly identify your relationship with the Edina Community Foundation. Because donations to fiscally sponsored projects are legally made to the Edina Community Foundation, fundraising materials and solicitations—brochures, letters and event invitations—must follow legal guidelines. The following is the text to use when soliciting donations:

[Project Name] is a sponsored project of the Edina Community Foundation, a nonprofit organization. Contributions on behalf of [Project Name] may be made payable to the Edina Community Foundation and are tax deductible to the extent permitted by law.

Donor Advised Funding

“Donor advised funding” refers to donations made by an individual who has direct control over how the donated money is spent. The most common version of this is when a project director wants to make an initial donation to get the ball rolling on their project. ECF must consider these transfers of funds rather than donations unless the individual is able to recuse themselves from decisions over how those funds will be spent.

Partially Deductible Donations

Donations are only fully deductible if whoever is donating does not receive goods or services for their donation. Sometimes you may want to offer your donors something in return. In that case, the tax deduction and text are a little different:

[Project Name] is a sponsored project of the Edina Community Foundation, a nonprofit organization. Contributions on behalf of [Project Name] may be made payable to the Edina Community Foundation. The value of [GOODS RECEIVED] is [\$XX]. Any contribution above that amount is tax deductible to the extent permitted by law.

Another common form of partially deductible donation is the purchase of silent auction items. In that case, the tax-deductible portion is any amount paid over and above the stated value of the item.

In-Kind Donations

An in-kind donation is a donation not of cash, but of goods that will benefit your organization, such as office equipment or items for a silent auction.

Donations of property are fully deductible, but the donor must determine the value. ECF does not take an administrative fee on the value of in-kind donations, so you're responsible for requesting acknowledgement letters for in-kind donations with a value of \$250 or greater. You will need to provide detailed information about the donor and the value of the donated item.

Please note that ECF cannot process vehicle donations.

Unlike donated goods, donated services are not tax-deductible under fiscal sponsorship. This includes rent, legal, accounting, graphic design, web design, or printing services. You can of course receive those kinds of donated services; it is just that the donor cannot get a tax deduction for them.

Matching Donations

Businesses will often have giving programs that will match an employee's charitable donation. Most often, donations to a group through a fiscal sponsor are eligible for these programs. The employee donating to your project must remember to note the Edina Community Foundation as the recipient of the funds, and designate the gift for your project. Forward any employer match forms to the Edina Community Foundation for processing. Once the matching check arrives, it will be credited to your account. Keep in mind that it often takes corporate matches 6-8 weeks to process before they are sent out.

Online Donations

Online donations should be made through GiveMN.org, a site that is specifically designed for nonprofit organizations. GiveMN.org charges a fee for processing donations online, though it offers the donor the option to cover the fee. Donors have tended to cover GiveMN.org's fee about 50% of the time. ECF will credit the total amount of the donation, then debit the amount of the GiveMN.org fee, if applicable. ECF fees will be charged against the total donation amount. Because other platforms like Kickstarter, Indie GoGo, GoFundMe and Hatchfund are not set up to accommodate fiscally sponsored projects, ECF projects cannot use them to solicit tax-deductible donations.

Credit Card Donations

ECF does not process credit card donations for CIP partners.

Handling credit card information presents security and compliance risks that are not compatible with the program. We encourage partners to use other payment services like GiveMN.org, PayPal, or Venmo.

Cash Donations

If you have cash donations, you may bring them to the ECF office. We will give you a receipt for the funds. Individual cash donations are assumed to be less than \$250, so we would not expect to create an acknowledgement. If you have an individual cash donation in excess of \$250, please provide donor information so that we can send an acknowledgement.

PayPal Donations

ECF can accept PayPal donations on behalf of your organization. At your request, ECF will provide a unique PayPal link that your organization can use in solicitation. ECF will credit the total amount of the donation, then debit the amount of the PayPal fee. ECF fees will be charged against the total donation amount.

Venmo Donations

ECF can accept Venmo donations on behalf of your organization at @EdinaCommunityFoundation-Edina. Donors must mention the name of your organization in the payment to ensure proper credit. Venmo does not currently charge fees for transactions. ECF fees will be charged against the total donation amount.

Sponsorship vs. Advertising

Corporate sponsorship can be a great way to raise funds for your project. Advertising and sponsorship are similar, but have important differences. If a sponsor or advertiser controls the content of a message they've paid for, it's considered advertising. If the nonprofit controls the content (usually a simple thank you and logo placement), then it's considered sponsorship. Advertising income is not tax exempt income and not tax

deductible by the donor. In fact, income from advertising is taxable, even for a 501(c)(3). ECF will not manage advertising income, but we will manage sponsorship income.

Grants

Grants can be a good source of income for your project. A main benefit of fiscal sponsorship is that you are eligible for more kinds of funding than you would be as an individual or for-profit business. However, there are more restrictions on granting through a fiscal sponsor than through a separate tax-exempt organization. For legal reasons, the Edina Community Foundation must be made aware of any grant proposals you plan to submit that require your fiscal sponsorship. The Edina Community Foundation reserves the right to refuse to manage funding from proposals that we did not endorse.

Many large private and corporate foundations do not grant to sponsored organizations. Be sure to do your research early and each time you plan to submit a proposal.

If a grantor does accept fiscally sponsored projects, they will almost always require a letter of support or other supporting documentation from the Edina Community Foundation that outlines our relationship to your project and our financial status.

In general, it is a great idea to study the attachments and support materials required by grantors as early as possible. Applicants typically think of the narrative as the most time-consuming aspect of a grant application, but often the attachments and support materials require considerable lead-time and effort.

If you plan to submit a grant application that will utilize your fiscal sponsorship, but the grantor does not require a letter of support or other materials, you still need to notify us of your plans.

Charitable Gambling

In very limited circumstances, partner organizations may be eligible to be the beneficiary of charitable gambling programs sponsored by other organizations. This activity is tightly regulated, and ECF is required to manage licensing and reporting obligations.

Please contact ECF in advance if this is something your organization is interested in pursuing, and we will work with you to see if it can be accommodated.

Donor Acknowledgment

For donations of \$250 or more, the Edina Community Foundation will send an acknowledgement email or letter to your donors, provided we've received and deposited the payment. You will be copied on email acknowledgements, which will include the Edina Community Foundation Tax ID number and serve as a receipt for the donation. The Edina Community Foundation will send acknowledgement letters for gifts of \$250 or more from granting organizations when checks are sent directly to our office.

If you want to acknowledge donations of less than \$250, you can draft your own acknowledgement letter that includes the following paragraph:

[Project Name] is a sponsored project of the Edina Community Foundation, a nonprofit organization. The Edina Community Foundation has been organized and operated to qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code; Taxpayer Identification Number 41-1315037.

Managing Your Funds

Deposits

If you are running a campaign aimed at individual donors, you can collect checks and drop them off or mail them to the Edina Community Foundation at 6750 France Ave South #220, Edina, MN 55435. Do not instruct your donors to mail funds to the Edina Community Foundation directly. Having checks sent in by the project head helps us make sure your funds are credited properly.

Processes vary from funder to funder, but checks from grantors are often sent directly to the Edina Community Foundation and not to the project head. In these cases, the Edina Community Foundation will deposit and acknowledge the donation without any additional prompts or forms needed from you.

Here are a few things to keep in mind about deposits:

1. Checks must be made out to The Edina Community Foundation. The memo line must include your project name.
2. We cannot accept checks made out to your project's name or [Your Project]/The Edina Community Foundation. Please make sure your project name is in the memo line.

3. We can deposit cash, but it must be dropped off at the Edina Community Foundation office directly. We can write acknowledgement letters only if the donor has provided all relevant contact information to you and received a detailed receipt at the time of the gift. We'll need a copy of that same receipt as well.

We deposit Community Impact Program funds into an account that is separate from The Edina Community Foundation's operating cash or reserves. The Edina Community Foundation deducts its administrative fee at the time the income is deposited. The balance of your fund stays with us until you request it, and you are not required to maintain a minimum balance. Funds are not available until a deposit has been processed and clears the bank; this can take between a few days to two weeks.

Grant Payment Requests

Grant requests are submitted online via this [link](#). Your organization can make 6 free grant requests each calendar year, after which a \$20 fee will be charged for each additional grant. The fee for each additional grant will be charged when it is processed. The Edina Community Foundation processes grant requests on the 15th day and the last day of each month. If faster processing is required, a \$20 rush fee will be charged when processed.

The grant request will ask you about the qualifying tax-exempt charitable purpose of the grant. ECF can only approve grants with a qualifying tax-exempt charitable purpose. Generally, charitable work is directed towards the general well-being of society and serves the public good. Charitable work may involve relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; or erecting or maintaining public buildings, monuments, or parks. More specifically, qualifying charitable work can not provide benefit to the donor(s).

The Edina Community Foundation will only write grant checks to the project. We cannot issue payments to third parties.

Grant requests will be processed only if:

1. The online request form has been completed
2. Funds are intended for a qualifying charitable purpose
3. Funds are requested by a signer on your organization's fiscal sponsorship contract
4. The funds to cover the request have cleared

Scholarships

Payments should be made directly to an educational institution on behalf of the scholarship recipient. In addition, your organization should be an “authorized scholarship selection committee” of the educational institution.

Taxes and Reimbursement

Please note that proper tax reporting for your project is your responsibility. It is the responsibility of the project director, for both incorporated and unincorporated projects, to send out 1099s to individuals paid \$600 or more for work on the project.

The Edina Community Foundation treats unincorporated fiscal sponsor projects as independent contractors. Any independent contractor who receives \$600 or more from us will be issued a 1099 tax form at the end of the year. If some of those funds were to reimburse yourself for project expenses and supplies, you will need to itemize those expenses on a Schedule C (profit and loss from business) to reduce your taxable income. It is imperative that you keep track of all money coming in and receipts of payment.

Reports

Two monthly reports are available, upon request:

1. Year-to-Date Activity report for current fiscal year (7/1-6/30)
2. Balance Update

Please contact the CIP Coordinator if you would like to receive any monthly reporting.

Fiscal Sponsorship Best Practices

DO:

1. Make sure donation checks are made out to the Edina Community Foundation with your organization’s name in the memo line.
2. Keep track of your records. The better organized you are day-to-day, the easier it will be to file your taxes or prepare grant applications when the time comes.
3. Let us know what’s working and what’s not. We’re here to help, and we always strive to do better.

DO NOT:

1. Use the Edina Community Foundation EIN or Tax Exemption Certificate without our knowledge or consent.
2. Re-grant money from your fund to another entity.
3. Use contributed funds for anything outside your stated project.
4. Use the Edina Community Foundation's name or information to register for services or accounts.
5. Solicit your state or federal legislators for government funds through direct appropriation.

Alternative Fiscal Sponsorship Programs

There are many organizations that offer fiscal sponsorship services. The [Fiscal Sponsor Directory](#) is a great resource if you are interested in learning about other fiscal sponsors.

According to tax law, we are not permitted to refund tax-exempt funds, but there are several exit options available to you:

Transfer your balances to an alternate fiscal sponsor or to a qualifying 501(c)(3)

Stop contributing funds to your CIP account and work your balance down with qualifying charitable grants.

Authorize a transfer of your balance to another CIP partner of your choosing, or to an account that ECF control.

Discontinuing Your CIP Account

According to tax law, we are not permitted to refund tax-exempt funds, but there are several discontinuation options available to you:

1. Transfer your balance to an alternate fiscal sponsor or to a qualified 501(c)(3) organization
2. Stop contributing funds to your CIP account and work your balance down with qualifying grants
3. Transfer your balance to another CIP partner account, or to an account that ECF can use to support qualifying partners at its discretion