

## APHON Chapter Fundraising Quick Sheet

APHON is a US 501(c)(3) public charity - EIN 23-7446224. We have been deemed a charity to uphold what is defined in our bylaws:

The purpose of this organization shall be educational and scientific. These educational and scientific endeavors shall concern the specialty of pediatric hematology nursing, and pediatric oncology nursing, with one goal being the improvement of the care of children with cancer and blood disorders. This purpose shall be carried out by means of public discussion groups, forums, conferences, panels, lectures, publications, online resources, and/or other similar programs.

To maintain this status:

- Donations raised in the name of a charity go to support the charity's purpose. This is called Mission-Related Income.
- We must prove that we are primarily supported by earned income from activities that further our exempt purpose. Examples include membership fees, admission fees, education fees, sales of related merchandise, etc.
- To qualify, an organization must pass two IRS tests over a five-year period:
  - Positive Support Test: At least 33.33% of total support must come from: gifts, grants, contributions, membership fees, education fees, etc.
  - Negative Support Test: No more than 33.33% of support may come from investment income or unrelated business income (UBIT)
- Expenses must also be aligned with the mission or stated purpose when raising money. This is called 'truth in fundraising.'
- Note, a US 501(c)(3) may only donate to another US 501(c)(3) that has an aligned mission. Meaning APHON cannot raise money to give to an organization that supports breast cancer, saving whales, or other worthy causes not aligned to APHON's purpose.

As an affiliate of APHON, Chapters are granted charitable tax-exempt status if they complete their annual report paperwork and submit it to APHON Headquarters on time. Therefore, this also means that charitable deduction status for donors. Documentation for APHON's federal tax-exempt status may be requested from Headquarters. Note: being exempt from paying federal income tax is not the same thing as being exempt from paying state sales tax. This is difficult to secure and must be managed by the chapter and the state where they operate.

Following are common questions related to fundraising and donations.

### **Do I Need to Be Registered in My State for Fundraising?**

Yes, each state and even a city can have regulations related to begin registered to fundraise/solicit donations. While APHON maintains the chapter's incorporation in Illinois, your chapter must register in your state to be authorized to fundraise. APHON can assist you with the paperwork, but your chapter board must initiate the paperwork and file it.

We also ask that you research laws related to raffles and prize drawing ticket sales. Typically, if everyone is entered for a raffle (meaning a chance comes with every event registration) you do not need to register but if you are selling individual raffle tickets there may be a price threshold that demands registration.

### **Can Tee Shirt and Product Sales Be Considered Fundraising?**

Yes, but with conditions.



Selling merchandise like tee shirts can be considered an appropriate fundraising activity for a 501(c)(3) organization. The items sold must promote the organization or the mission of the organization. If it does not, then it is considered taxable income under UBIT (see below). Chapters should not sell items to fundraise for other charities. They can share links and promote other charities but not take in money for them.

### **Do We Issue a Tax-Deductible Receipt?**

Yes, but only for the deductible portion and the receipt should reference the chapter EIN number.

If no goods or services are provided in exchange for a donation, the full amount is tax-deductible. This is reflected in the APHON Chapter Donation Tax Form, which includes language such as:

“No goods or services were provided by in exchange for your donation, making it tax deductible to the fullest extent of the law.”

If a donor receives a tee shirt, you must disclose the fair market value of the item and indicate that only the amount exceeding that value is deductible. For example, if a donor gives \$40 and the tee shirt is worth \$15, only \$25 is tax-deductible. This must be clearly stated in the receipt.

### **What About Sales for Event Tickets? Can We Issue a Tax-Deductible Receipt for That?**

Yes, but only partially—and with proper disclosure. When a donor purchases a ticket to a fundraising event, the IRS considers this a quid pro quo contribution. This means the donor is receiving something of value (e.g., a meal, entertainment, or access to the event) in exchange for their payment.

Only the portion of the ticket price that exceeds the fair market value (FMV) of the benefits received is tax-deductible. You must disclose this in a written statement to the donor. For example:

- If a ticket costs \$100 and the FMV of the dinner and entertainment is \$40, then \$60 is tax-deductible.
- The receipt must clearly state this breakdown.

### **Tell Me More About Special Language I Should Put on Receipts.**

Be aware of IRS Disclosure Requirements. According to the IRS guidelines on quid pro quo contributions, receipts must include:

- A statement that only the amount exceeding the FMV is deductible.
- A good faith estimate of the FMV of goods or services provided.
- The total amount paid by the donor.

Failure to provide this disclosure when the payment exceeds \$75 may result in IRS penalties.

#### **Sample Language for a Receipt**

“Thank you for your generous support. You contributed \$100 to attend our fundraising event. The fair market value of the dinner and entertainment provided is estimated at \$40. Therefore, \$60 may be tax-deductible to the extent allowed by law.”

#### **Additional Considerations:**

- No deduction is allowed if the entire ticket price equals the FMV of the event.
- If the event includes optional donations beyond the ticket price, those additional amounts may be fully deductible.

- For donations of \$250 or more, a written acknowledgment is required to claim the deduction.

### **What is Unrelated Business Income Tax (UBIT)?**

If merchandise sales are not substantially related to your mission, the income may be subject to UBIT. However, if the tee shirts promote your mission (e.g., including your logo or educational messaging), they may be exempt. The chapter is required to file Form 990-T if gross income from unrelated business activities exceeds \$1,000 in a year.

### **What Are the Rules on Sponsorship and Advertising?**

**Sponsorships with Promotional Benefits:** If a sponsor receives advertising or promotional value beyond a simple acknowledgment, the income may be taxable as UBIT.

**Advertising Revenue:** Selling ads in newsletters, websites, or event programs is considered unrelated business income unless the content is purely acknowledgment (e.g., name/logo only, no promotional language).

**Mailing List Rentals:** Charging other organizations to use your member or donor lists for marketing purposes is taxable. Note, an APHON chapter may never share or give away a mailing list for members or event attendees. The chapter may send an email on behalf of the sponsor or advertiser with a disclosure at the top of the email.

### **What Does the Chapter Treasurer Need to Do for Recordkeeping?**

The chapter should maintain clear records of the value of items provided (donated) and the amount received in ticket sales, donations, product sales, etc. This information goes clearly into the chapter's financial activity log. This ensures transparency and compliance. These records should be kept for a minimum of three years after the fiscal year tax filing.

The IRS requires written (print or digital) receipts to be issued for every donation valued at \$250 or more. These may be issued at the time of the exchange or no later than January 31 for transactions in the prior year.

Chapter decisions on how to spend donated money can be handled in two ways:

- Through the approved annual budget
- Through a vote of the chapter board or the chapter members

No single individual has the authority to spend charitable income by themselves.

The Treasurer needs to submit annual reports so that APHON Headquarters can file the chapter taxes. If the chapter's gross receipts are under \$50,000, the 990-N postcard may be filed. If it is more, APHON will need more details from the chapter.