

# **EDFUND GUIDELINES FOR STATE and LOCAL GRANT SERVICE**

## **League of Women Voters of Honolulu Education Fund**

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# INTRODUCTION

**THIS PUBLICATION DESCRIBES HOW THE EDFUND GRANT SERVICE WORKS AND LISTS THE STEPS YOU MUST FOLLOW IN USING IT.**

*“Why does the League of Women Voters have a State and Local Grant Service?”*

**Short Answer:** So that state and local Leagues can solicit tax-deductible donations.

**Long Answer:** All state and local Leagues are classified by the IRS as **501(c)(4)** nonprofit organizations. As such, donations to the state and local leagues are not tax-deductible.

*To receive a tax deduction, your donors must make their checks payable to the  
“League of Women Voters of Honolulu Education Fund”*

The League of Women Voters of Honolulu Education Fund (LWVHEF) was established in 2001 as a separate, tax-exempt organization with a **501(c)(3)** status. Organizations with 501(c)(3) status are allowed to solicit contributions that are tax deductible as charitable donations. Oftentimes, state and local Leagues may wish to solicit tax-deductible donations for educational projects on their own. By allowing the LWVHEF to act as their agent or “sponsor” in the fundraising process, the state and local Leagues can secure tax-deductible donations for their own local use. The way this works is simple: Leagues solicit donations, donors write out checks to the LWVHEF, the LWVHEF deposits the funds, and finally, the LWVHEF cuts checks to the state and/or local Leagues.

There are, of course, rules and conditions that go along with the process, as well as steps that must be meticulously followed.

*It is important to abide by these rules. Otherwise, the LWVHEF risks losing its 501(c)(3) status.*

# USING THE EDUCATION FUND

**In order to use the grant service for your funding, your project must meet IRS and League criteria.**

**The IRS criteria are:**

1. ***The project must be educational.*** The project must be completed for the purpose of informing the public in a fair and objective manner. Through the project, your League cannot advocate a particular position on legislation or urge any action to affect legislation (federal, state or local). The project cannot involve the development of a League position by consensus or other form of agreement nor can it promote a League position. The project cannot involve work with political parties or candidates for office, other than nonpartisan voters service activities. It cannot influence the outcome of an election.
2. ***The project must serve the general public, not League members exclusively.***
3. ***The project cannot be at all related to League membership activities.*** The project's resource cannot be used to support the membership recruitment or membership maintenance activities of your League. However, internal membership materials (that are funded by other means) are acceptable to have at EdFund events.

**The League criteria are:**

1. New projects cannot be started before the approval application is ***submitted and approved.*** The LWVHEF must ensure that it will meet IRS and EdFund criteria.
2. The project ***must not give*** direct grants to outside organizations.
3. The project must be ***nonpartisan.***
4. If your project generates income, the income ***must be used*** for educational purposes only.
5. The LWVHEF ***must be*** properly credited.

***The LWVHEF reserves the right to review materials and require changes. If the project differs from the concept submitted on the initial project approval request form, or if the project does not meet the above criteria, funds may not be disbursed.***

# STEP BY STEP

The following describes each step in the process of using your LWVHEF grant service account. This is followed by a **Helpful Hints** section.

**STEP 1.** Select a project and develop a budget. Submit a **project approval request form**. Project forms can be found on League's website under *EdFund project approval.doc*.

**STEP 2.** When you get donations, submit funds to the LWVH EdFund with the **Deposit Form**. This form can be found under *EdFund deposit form.doc*. Make sure you indicate on the **deposit form** how you want the funds you are depositing to be distributed. There are different lines to designate where the funds should go. The LWVHEF will send acknowledgement of all deposits received. **Do not deposit tax-deductible funds in your League account.**

**STEP 3.** When you are ready to request your funds, submit the **Project Withdrawal Form**. **NO funds can be distributed** without the **withdrawal form**.

**STEP 4.** Within two months of the project's completion, submit the **Final Report Form**, along with the Project's **final budget** and any results of your project that can be attached (i.e., pamphlets, press clippings, videotapes, etc.).

*Keep your own records of grants management account transactions. Your League treasurer should keep a permanent record of all deposits and withdrawals from your grant service account so they can be reconciled with the LWVHEF records. The names and addresses of donors should also be a part of your records.*

*Retain documentation on all project expenses for seven years. You are legally required to keep an accounting (including receipts) of all project expenses.*

## HELPFUL HINTS

### Project Development

**"I'd like to do a project, but I cannot think of anything to do!"**

Here are some examples of educational projects your League can do:

- Voters service and /or citizen information projects (forums, debates)
- Publications (listings of elected officials, balanced information on issues)
- Educational public meetings (seminars, conferences, forums or workshops)
- Media programs that discuss issues in an unbiased way (radio, TV, slide presentations)
- Purchase and distribution of educational League publications
- Public interest lawsuits, monitoring the implementation of laws

## HELPFUL HINTS (CONINTUED)

### **Budget Development**

Once you have selected your project, you can begin to estimate expenses and develop a budget. Your budget should include the following components:

- **Direct Costs**

Direct costs are expenses specifically for the project. Examples of direct costs are printing, editing, layout, postage, supplies, distribution, promotion, phones, out-of-pocket expenses of volunteers and salaries.

- **Indirect or Overhead Costs**

These costs are general operating expenses incurred when completing a project, such as office rent, equipment use and utilities. A portion of these expenses can be attributed to the project based on use. However, to prove this, records must be maintained that show the project used these services or items.

- **Office Expenses**

Your League can charge a portion of office or telephone expenses associated with your ongoing citizen information service or other Education Fund projects. These costs should be documented through financial logs. The proportion of League time and funds spent on this educational activity needs to be tracked and recorded to ensure the percentage of office expenses charged to the Education Fund is proportional to the project compared with all League activity. For example, if 20% of your League's time and resources go to conducting the citizen information service—then 20% of the cost of phones, rent and office expense can be paid with EdFund dollars.

- **In-Kind Contributions**

**In-kind contributions such as equipment, materials or services cannot be considered as tax-deductible contributions to the LWVHEF for local Leagues.** A business that wants to make such a gift might instead consult an accountant or attorney to investigate classifying the gift as a deductible business expense.

## FREQUENTLY ASKED QUESTIONS

### *“Can I buy a computer with the money I raise?”*

Equipment such as computers may be purchased with EdFund dollars provided that the equipment will be used for education projects only. Under certain legal restrictions, a League (the 501(c)(4) entity) may pay to share the equipment. Please check with the LWVHEF board prior to selecting this option.

***“Can we use our Grant Service account to satisfy our Per-member-Payment (PMP)?”***

Funds already deposited in your Grant Service account can be used to meet PMP obligations. Leagues may also raise new, unrestricted tax-deductible contributions to satisfy up to 50% of their yearly PMP obligation to both the State and National Leagues.

***“How does my League use Grant Service funds to pay PMP?”***

EdFund dollars are not technically used to “pay” PMP. To assist local Leagues in maximizing use of their unrestricted 501(c)(4) funds, the State and National Leagues allow local Leagues to make a donation from their grant service account to the LWVUS Education Foundation in lieu of two quarterly PMP payments. Leagues wishing to take advantage of this option can indicate such intent on the Project Approval Form.

***“What about when I combine an educational project with a membership project, such as inserting something into a League newsletter?”***

If your League produces educational issue inserts for your newsletter, you may pay for only the insert pages with grant service account funds. Additionally, the material must be distributed to the public to meet the diversity criterion. Therefore, that distribution cost also should be included in your budget.

## **PROJECT APPROVAL**

### ***General Guidelines***

- Allow a minimum of two weeks for processing of your request.
- Do not exceed your LWVHEF grant service account balance.
- Do not exceed your approved project budget by more than the established percentage as indicated in the deviation chart below.

***“What if we do not have time to wait for approval?”***

In an emergency, you may request and receive approval over the phone. Call the League Office at 536-7448 or email Voters @LWV-Hawaii.com, Attn: EdFund/Honolulu. Make sure you follow up with a written request. No funds will be disbursed without a written request. The LWVHEF reserves the right to reject a follow-up written request that differs from the original phone description.

***“If we do the same project every spring, do we have to submit a new project approval form each year?”***

Yes. On every request for withdrawal for annual/ongoing projects, we require that you submit a short description of the project (see the approval form). We use this to continue to monitor and make sure the project still meets 501(c)(3) requirements.

***“What if our project goes over budget?”***

Sometimes, project budgets will exceed original projections. If this happens, the LWVHEF Grant Service allows you to spend additional funds without completing more paperwork. However, there are established limits (see chart below) on how much the project can exceed the approved budget before you must seek approval.

**Budget Deviation Chart for Project ReApproval**

| <b>Approved Project Budget (\$)</b> | <b>Accepted Total Deviation from the Approved Budget</b> |
|-------------------------------------|--|
| 1-1,000 .....                       | 25%  |
| 1,001-3,000 .....                   | 20%  |
| 3,000-5,000 .....                   | 15%  |
| 5,000+ .....                        | 10%  |



**GENERAL SUGGESTIONS**

***Donation Follow-Up***

**Always** thank donors for their contributions. It is important that you thank donors as it will continue to keep you in a good relationship with them. IRS regulations REQUIRE that donors receive acknowledgements for donations over \$250. ***The LWVHEF does not acknowledge donations that are received and deposited by local Leagues.*** Keep track of the names and addresses of all donors. You might consider include some information about the League with every thank you letter you send.

***Additional Record Keeping Tips***

- Keep records of grants management account transactions for reconciliation with LWVHEF records.
- Retain documentation on all project expenses. Under the law, you must keep accounting (including receipts) of all project expenses for seven years.
- Keep accounts balanced.

***Credits***

**The League of Women Voters of Honolulu Education Foundation must be credited** on project material. Publications for community distribution, including programs for meetings or seminars, must credit the LWVHEF. Donors may be credited on publications as well, but check with them first. Some donors prefer to remain anonymous.

*Examples of wording for credits on project materials:*

“Prepared by the League of Women Voters of (name of your League), published by the League of Women Voters of Honolulu Education Foundation, and financed by contributions from (name of donors).”

“This seminar conducted by the League of Women Voters of (name of your League) and has been made possible by a contribution from (name of donors) to the League of Women Voters of Honolulu Education Foundation.”

“Published by the League of Women Voters of (name of your League) and funded by contributions to the League of Women Voters of (name of your League) and the League of Women Voters of Honolulu Education Foundation.”

## FINAL CHECKLIST

- Make sure your planned project is educational in nature; no advocacy or membership activities allowed.
- Submit funds using the **Deposit Form**. Make sure checks are made out to the “**LWV of Honolulu Education Fund.**”
- To formally request funds from your account, submit the **Project Withdrawal Form** complete with budget and project information.
- Within 60 days of the completion of your project, submit the **Final Report** form, complete with the results of your project and a **financial accounting**. If your income exceeded your expenses, be sure to remit the extra funds for redeposit in your grant service account. If your expenses exceeded income (within the stated limits), indicate if you are requesting additional reimbursement.

If you need any help, **CONTACT THE LEAGUE OFFICE** at 531-7448 or email  
Voters@LWV-Hawaii.com  
Attn: LWVH EdFund

**We're here to help!**