FOUNDATION POLICIES

No. 3: USE OF THE FEDERAL TAX ID BY CLUBS

Approved by Board Action February 19, 2013

Statement of Policy
Understanding that the District Foundation must have total control over the distribution of funds entrusted to it, and that the District Foundation may have additional accounting responsibilities to the IRS, without any knowledge on the use of these funds, the Board of Directors of the Louisiana-Mississippi-West Tennessee Kiwanis District Foundation will no longer serve as the fiscal agent for clubs or divisions to accept charitable grants from an organization, business or individual on their behalf.

Reason for Policy
The Louisiana-Mississippi-West Tennessee Kiwanis District Foundation does not function as a “pass through” organization for clubs in the district.

That is, an organization, business or individual may not give funds to the Foundation with the stipulation that the funds be used for a particular project of an individual club in the district. For example, if corporation A wishes to donate to club B’s project but wants the donation to be tax-deductible, then corporation A may not donate the funds to the Foundation and stipulate that the funds be used for club B’s project. Clubs with their own foundations may choose to allow such donations through their own foundations without involving the District Foundation, but clubs without foundations must notify the potential donor that the deduction will not be tax deductible or else they must find some other means to accomplish the desired result.

The reasons for the Foundation’s policy on this matter are numerous, but include the possibility that such transactions may not even be legal for the Foundation and might jeopardize the 501(c)(3) status of the Foundation. Should it later be determined that such transactions are legal and do not jeopardize the status of the Foundation, the Foundation still does not allow such transactions. Some reasons for this, but not limited to these, are as follows:

1. The Foundation must have total control over the distribution of Foundation funds.
2. Allowing such transactions would dilute the Foundation’s ability to allocate funds equitably.
3. Allowing such transactions would present the potential for clubs to recruit donors to support their programs which do not comply with Foundation practices and/or which bypass the Foundation’s annual giving campaign.
4. The Foundation would be held accountable to donors for the club’s use of the funds.
5. The Foundation would have additional accounting responsibilities without adequate staffing to accommodate these responsibilities. The Foundation treasurer has many other responsibilities in the District and cannot be expected to assume these additional accounting responsibilities.