



POLICIES & PROCEDURES FOR LOCAL CHAPTERS

CAHU CCF MISSION

CAHU CCF shall provide local AHU chapters in the State of California with charitable assistance. The Foundation will work with local AHU chapters to identify needs and appropriate solutions for those needs; and assist with the implementation of identified solutions. In addition; the CCF shall advance public knowledge by providing consumers, healthcare providers, government entities, insurers, and field underwriters with timely, accurate and reliable information in the area of healthcare, available types of insurance, and the principles, functions and applications of each type of insurance.

TYPES OF NON-PROFIT ORGANIZATIONS

There are many different types of non-profit organizations. To acquire non-profit status, an organization must initially apply to the Internal Revenue Service. The IRS reviews each application in the context of the organization's primary non-profit purpose. Then, the IRS issues a "determination letter" to the organization that specifies the applicable tax exemption.

The IRS usually grants 501(c)(3) non-profit status to charitable organizations. This non-profit status has a twofold meaning. First, the charitable organization does not pay federal taxes on income. Second, individuals and companies can deduct donations to the charitable organization on their federal tax returns.

Most local AHU chapters are organized as 501(c)(6) non-profit trade associations. Usually, this tax designation means trade associations do not pay federal taxes on membership dues revenue but federal (and state) taxes **may** apply to non-dues revenue. Non-dues revenue can include things like sponsorships, newsletter or directory advertising, and similar types of revenue that is not derived from members' dues. The person who prepares the annual non-profit tax return should advise the Board about the taxability of the chapter's various types of revenue. The 501(c)(6) designation does not necessarily mean that payments to the chapter are tax deductible on personal or business tax returns. So, it's important that local AHU chapters understand the nature of the chapter's non-profit status.

HOW THE CAHU CHARITABLE COMMUNITY FOUNDATION WORKS

The CAHU Charitable Community Foundation (CCF) was formed as a 501(c)(3) non-profit foundation to help chapters participate in charitable giving. Here's how it works:

Local chapters select one or more charities for which they wish to raise funds. The chapter then decides how funds will be raised (charity drawing, proceeds from a golf tournament, or similar activities)

The local chapter promotes the fund raising activity following the guidelines below. To ensure that donations are tax deductible for individuals or companies, checks must be made payable to the CAHU CCF. Credit card donations are also accepted and will be processed when the appropriate form is turned into CCF.

Donation checks and credit card forms are collected and sent to the CAHU CCF with the Charitable Project Form. The donations are deposited and CCF then writes a check to the charity and vendors specified on the Charitable Project Form. The CCF check is handled as specified by the chapter: the checks can be returned to the chapter for presentation to the charity and vendors or sent directly to the charity and vendors as directed by the chapter.

The Foundation will reimburse members or chapters for expenses related to chapter fund raising activities, not to exceed amount received from that chapter for that event. To be eligible for reimbursement, a check voucher must be submitted including credible documentation of expenses being reimbursed, and signature by a chapter officer certifying that the expense was a budgeted item. If the reimbursement is payable to a chapter officer, the signature must be from one of the other chapter officers.

The chapter is liable for all expenses related to fundraising activities when using the Foundation to process income and expenses, including credit card/merchant fees. The CCF assumes no liability for chapter fund raising activities, and is not able to issue funds in excess of those received (and cleared) from the chapter.

NOTE: Donations must be transmitted to the CAHU Foundation within 60 days of receipt. The Foundation will not process donations that are more than 60 days old.

As required by the IRS, the CAHU CCF will send donors written disclosure statements confirming the tax deductibility of contributions that exceed \$75. <http://www.irs.gov/charities/article/0,,id=96102,00.html>

FUND RAISING GUIDELINES

Charitable fund raising has come under increasing scrutiny in recent years. It is extremely important that local chapters follow these guidelines when raising funds for charity:

Verify the designated charity is a qualified charitable organization. See following section for more information.

Notify CAHU CCF. Before launching a charitable fund raiser, complete the **Charitable Project Form** and submit it to CCF. Ideally, any promotional materials or plans for publicity should accompany the form. This will allow the CCF to review the promotional materials and make suggestions to assist the local chapter in complying with State regulations.

Clearly disclose the charitable beneficiary. Promotional information for charitable fund raisers must clearly state: the name of the charity for which funds are being raised; the amount that will be donated to the charity (i.e., all proceeds from the drawing; \$5.00 for each ticket purchased); the fact that donations are tax deductible only if made through CAHU CCF; the CCF's tax ID number (# 94-3276189); and the person to contact with questions or for more information.

State regulators are increasingly concerned about charitable donations being diverted to cover excessive overhead and administrative expense. Local chapters should carefully track all administrative costs associated with charitable fund raisers, especially if those costs are being deducted from the funds raised for charity. As a rule of thumb, administrative costs should not exceed 30% of the funds raised for charity.

Raffles are subject to special State regulations. Organizations that are conducting raffles must first register with the Attorney General's Registry of Charitable Trusts. After the raffle, the organization must file financial disclosure reports for each raffle. For more information about this, visit <http://www.caag.state.ca.us/charities/raffles.htm>

California defines a raffle as a type of lottery in which prizes are awarded to people who pay for a chance to win. Each person enters the game of chance by submitting a detachable coupon or stub from a paper ticket purchased. A drawing is considered the same as a raffle if the sale of tickets is involved. At least 90% of the funds raised from a raffle must go to the charity; the remaining 10% can be given to the raffle winners. No more than 20% of the total revenue from the raffle can be spent on administration including the purchase of prizes.

Allow adequate time for processing by CCF. Checks and credit card donations received by CCF take time to process. Allow at least 30 days for credit card donations to be processed before requiring a check from the CCF be issued to the charitable organization.

Receipt confirming charitable contributions. The IRS requires that the CCF send written disclosure statements to donors of a quid pro quo contribution in excess of \$75. A quid pro quo contribution is a payment made to a charity by a donor partly as a contribution and partly for goods or services provided to the donor by the charity. For

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example, if a donor gives a charity \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable contribution portion of the payment is \$60. Even though the part of the payment available for deduction does not exceed \$75, a disclosure statement must be filed because the donor's payment (quid pro quo contribution) exceeds \$75.

To ensure that the CCF can comply with this requirement, local chapters must make sure the CCF has the name and address of every donor. In addition, for quid pro quo donations, local chapters must provide the CCF with: (1) the **total** value of each quid pro quo donation; (2) the value of the quid pro quo donation that is **not deductible** (the value of the goods or services the donor received); and (3) the amount of the quid pro quo donation that is deductible (the amount of the donation in excess of the value of goods or services). For more information:

<http://www.irs.gov/charities/charitable/article/0,,id=123201,00.html>

ELIGIBLE CHARITABLE ORGANIZATIONS

The CAHU CCF supports legitimate charitable causes which are consistent with the Foundation's mission and purpose and that enhance the success of the communities where local chapters operate. CAHU CCF will process charitable donations only for eligible charitable organizations. To qualify as an eligible charitable organization, the organization must be recognized as tax-exempt under Internal Revenue Code Section 501(c)(3) or be a qualified nonprofit educational institution, hospital or medical facility, civil defense organization, volunteer fire departments, or parks and recreation facility. For more information about qualified charitable organizations, visit

<http://www.ag.ca.gov/charities/publications/CharitiesSolicitation.pdf>

IMPROPER USES OF FUNDS

Charitable contributions may not be used to develop, further, or maintain an account relationship or as a method to reward persons or entities that do business with CAHU CCF and/or the local chapter.

CAHU CCF – FORMS

To facilitate smooth administration, please use the following forms located on the Foundation web page at www.cahu.org.

- **CAHU Foundation Project Form.** Use this form to advise the Foundation of local charitable activities and to transmit the charitable donations you collect to the CCF.
- **CAHU Foundation Credit Card Form.** Use this form for donations that will be made using a credit card.