



The Education Fund  
And  
The Local League

# **LWVIN Education Fund and the Local League**

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## **How Education Fund Works**

### **Why an Education Fund?**

Contributions to locals are not deductible from federal income tax because of the lobbying activities of LWV.

Education of the public, another major part of League work, does qualify for federal income tax exemption but only if handled by a corporation established for that purpose. Such corporations, usually called education funds, are used by Leagues across the country to receive and spend 501(c)(3) tax-deductible and tax-exempt funds.

**The Connection with Local Leagues** –The LWVIN Education Fund serves as the administrative agent for local League education funds, freeing a local League from the need to create a nonprofit corporation. Nearly all local Leagues use this service. LWVIN does not charge fees and does not pay interest on the funds in its accounts.

Maintaining an individual internal account for each participating League, LWVIN not only accepts deposits and dispenses payments, it also ascertains that each transaction conforms to federal regulations concerning 501(c)(3) funds.

- Each project must have approval from LWVIN.
- Both the LWVIN and the local League follow procedures that are described in this document.

These procedures are created to meet IRS expectations including the guidelines by LWVUS which are included in the appendices.

**The Treasurer** – The treasurer of LWVIN is the contact person and consultant for local Leagues. The treasurer explains and facilitates processes and processes all transactions. For contact information call the LWVIN office or send email to [info@lwvin.org](mailto:info@lwvin.org) .

**Forms** for Education Fund transactions can be downloaded from the Member Resources page of the state league website [www.lwvin.org](http://www.lwvin.org)

There are four forms:

- Deposit form
- Transfer of Funds form (for PMP)
- Project Approval Request form
- Final Project Report form

**Opening a Local Education Fund Account** – When a local League decides to open an account, the LWVIN treasurer can provide counsel. Using the Deposit form, an initial deposit is made using the Donation Deposit guidelines below.

**Donation Deposits** are by check only. All donation checks must:

- be made out by the donor directly to the “League of Women Voters of Indiana Education Fund.”
- have no other recipients mentioned.
- not be made out to the local League.

Processing donations in any other way than directly to LWVIN Education Fund threatens the 501(c)(3) status of the LWVIN.

While checks from the local League itself cannot be used to transfer donations, they can be used for certain secondary transactions such as the return of a project surplus.

It is crucial that potential donors observe the distinction between general and tax-exempt donations. Any appeal for donations, such as an annual dues letter, should stress this.

- A contribution for the local League’s work in general is not tax deductible and is made through a check to the local League.
- Checks for tax-deductible contributions to a participating local League must be made out to the state education fund as shown above. The local League collects these donations and sends them to LWVIN Education Fund accompanied by the Deposit form.

The state office sends a verification of Education Fund deposits and the local League checks it for accuracy.

**Local Leagues are expected to thank their contributors themselves.** Some donors may prefer not to be named publicly.

A donor may request verification of the 501(c)(3) status of LWVIN. A copy of the 1982 approval letter from the IRS is available from the state office.

### **Two Kinds of Donations to Education Fund –**

A donation may be **unrestricted** or may be designated by the donor to support a specified project or cause. Designated funds are restricted to the stated purpose. Donations solicited through a League appeal solely for stated causes are **restricted**. The local League must keep clear records protecting each restriction. The local League must have LWVIN approval **before** issuing a designated appeal for tax-deductible contributions because a project could later be deemed ineligible for tax exemption with unfortunate consequences for donors. For the same reason, the local League must ascertain that a project designated by a donor meets IRS requirements. If a donor designates a specific project, consult with the LWVIN treasurer regarding IRS requirements before committing to the project.

**Most donations are likely to be unrestricted.** The donor of a designated contribution, or a League issuing a designated appeal, may stipulate that if the restricted fund exceeds the cost of its project, the surplus shall be unrestricted.

**Records** by the local League must show all detail including the identification of restricted donations. The local treasurer should keep LWVIN Education Fund data separate from general operating data and should report them to the membership separately. The accounting records of the local League's general fund and the education fund must not overlap.

## **Reports**

At the beginning and at the middle of the fiscal year the LWVIN treasurer sends an Education Fund account summary to the local League treasurer. The local treasurer makes certain that it agrees with local records.

## **Per Member Payment (PMP) and Education Fund –**

A local League may use tax-deductible funds to cover up to 50% of its national PMP and 10% of its state PMP. Up to these limits (only), the local League may use either unrestricted Education Funds, or donations dedicated to PMP, or a combination of these.

Donors may designate tax deductible contributions directly for a given year's PMP, without transmitting them first to the local League's Education Fund account. Such checks must be made out by the donors to LWVEF (LWVUS Education Fund) or LWVIN Education Fund, as the case may be, with a notation of their PMP purpose for a particular League. As stated above, the total tax-deductible allowance of a local League cannot exceed the 50% (national) and 10% (state) limits.

The local League requests both state and national PMP disbursements from its Education Fund account using the Transfer of Funds form.

The partial state PMP payments are transferred from the local League's Education Fund account to LWVIN itself. This is an internal bookkeeping process. For national PMP payments, LWVIN issues and send a check to LWVEF.

If a local League promises in its fundraising appeal that all tax-deductible contributions will be spent locally, it may not use the resulting Education Funds for PMP.

**Cancelling a Local League Education Fund Account** means to completely use all the funds in the account. It is not difficult to reopen the account with additional deposits but it is preferable to keep the account open. If a local League chooses to administer its own education funds, it should contact treasurer for guidance.

## **Obtaining Approval for a Local League Project**

**Eligible Projects** – Each project must be:

- educational or informative
- nonpartisan
- intended for the general public, not just for members
- usually local in scope and focus.

While League members should participate, they cannot be the primary audience. Membership meetings and internal publications are not eligible. In-kind contributions are not tax deductible.

The goal must be to provide public information in a fair and objective manner (see *Advocacy Activities that Leagues May Undertake Using Charitable 501(c)(3) Monies*). The project must not seek to affect specific legislation. When political parties or candidates for office are involved, the purpose must be solely for education of the public, such as a candidates' debate.

Issues which interest the League may well be the topics of educational public meetings. However, any research or analysis must include a fair representation of all facts and information, so as to provide a clear opportunity for disagreement with the conclusions of this research or analysis. Support for League positions or calls for action cannot be sought.

Funds may be used for equipment that will be used for other Education Fund-related activities after the immediate project is completed. If the equipment will be used for other activities, such as membership or advocacy, a reasonable charge should be paid from operating funds. For example, if a local League purchases a sound system for public educational meetings, but then uses this equipment for a membership meeting, the local League should reimburse their fund account a justifiable amount for its use.

Good record keeping is important. If it is known that eventually the equipment will be used for non-education fund activities, then it is recommended that a portion of the original cost of the equipment be paid with operating funds.

Examples of possible projects:

- Voter service and citizen information, such as candidate debates, public promotion of voter registration and the voting process, and candidate questionnaires.
- New local study items (public meetings, publications, etc.), to the point of a public consensus (not League consensus).

- Public meetings, publications, recordings, etc., on current topics, presenting all sides and providing balanced, nonpartisan information.
- Publications listing local services and governmental agencies or elected officials.
- Publications describing the local community, e.g., *Know Your County*.
- Radio or television presentations that discuss issues in a nonpartisan manner.
- Purchase and distribution to the public of state or national education fund publications or of other educational publications, recordings, etc.
- Public meetings on one side of an issue, such as a single-payer health plan.

**Project Budget**

A project has a limited, one-time goal and is funded outside the regular local League budget, although it may draw in part on general local resources. The local treasurer should prepare and then maintain a project budget separate from the regular local League accounting. **A project budget is required for planning, approval of a project, and the final report.**

The project budget prevents distortion of the regular local budget insofar as it accounts separately for certain expenses that may otherwise burden the regular budget, such as postage or supplies. It should reflect the true full cost of the project, even if not all funding is expected to come from Education Fund.

In general, a project budget is worded and organized like a regular budget, and approved by the local board as part of the Request for Approval. The following example concerns a new edition of a publication called *Know Your County*:

Income

|   |          |
|---|----------|
| Local League Education Fund account.....    | 673.00   |
| Special non-tax-deductible fund drive ..... | 100.00   |
| From cumulative reserves .....              | 200.00   |
| Total .....                                 | \$973.00 |

Expenses

|   |          |
|---|----------|
| Education Fund project application, approval, reports ..... | 3.00     |
| Writing, editing donated .....                              | -0-      |
| Preparing camera-ready copy (50 pp.).....                   | 100.00   |
| Printing.....   | 630.00   |
| Paper.....  | 100.00   |
| Binding.....  | 100.00   |
| Distribution, publicity .....                               | 40.00    |
| Total .....   | \$973.00 |

**Acknowledgments and Credits** – Whenever Education Funds are used for printed matter, including programs for public meetings, the publication **must** contain a statement crediting LWVIN Education Fund. It may also recognize donors if their approval has been obtained in advance.

Sample statement: "Funding was made possible in part by the League of Women Voters of Indiana Education Fund, through contributions by Mr. X, Y Company, and Z Foundation."

**Project Approval Request** – Start early! After a project has been approved by the local board, a Project Approval Request form is sent to LWVIN, with an explanatory statement and other supporting material if available (see below). Because the LWVIN board will consider the request at a meeting and may ask for additional information before acting during a second meeting, this should be done as long as possible before the desired starting date and no later than four weeks in advance.

Early submission is particularly important when donations dedicated to the project are to be raised. If a project ultimately is not approved, already received dedicated donations will have to be returned, an embarrassing procedure and a legal hassle for the donors, who may have taken the tax deduction already. Also, the local League cannot seek funding from other sources, like foundations, before the project is approved.

If a project begins before receiving LWVIN board approval, the local League risks having to cover the cost from its regular local funds.

Early submission is recommended even for a project that may later be abandoned before starting. An application and approval does not constitute a final commitment. A commitment will be expected once funds are disbursed.

**Project Explanation and Supporting Material** – To help the LWVIN board understand the project, the local League will provide as much information as it can. Accuracy is important because the initial project budget and statement will play a role at the project's conclusion. No project will be considered without a budget. Requests must be properly signed and dated.

Include the following:

- General: Format/structure, purpose, publicity plans.
- For publications
  - Prior edition if any (copy to be enclosed if available), project personnel, printer, date of publication, distribution and storage plans.
  - Approval must be sought even for revisions and new editions of previously LWVIN-approved publications.
- For meetings: Time, place, participants, purpose, duration, other sponsors if any.
- For income: Projected sources as itemized on the form; fundraising plans; in-kind donations
- For expenses: As itemized on the form; labor costs (nonmembers only).

Funds may not be used for unrelated handouts to attendees or to compensate League members for their labor.

**Project Approval and Disbursement** – The LWVIN board announces its decision promptly. An initially denied proposal will be returned to the local League with explanation and for modification so that it conforms to IRS rules.

The local League may request full or partial disbursement at the beginning of the project, or it may prefer that payment be delayed. Delaying the payment until the project's conclusion has the advantage that, if expenditures stay below the approved amount, no surplus will have to be returned.

LWVIN disburses payments by check to the local League, up to the balance in the local League's account minus funds restricted to other uses. **Overdrafts are not permitted.**

**The Project in Progress** – Approval is limited to one year. A project lasting longer than one year must seek re-approval so that continued compliance is assured. The character of the project must not change without approval.

It is best to plan early how the project's success will be evaluated—for the local League's own appraisal and for the final report.

Approved funds may be used only for the designated project. At the end, unused funds are returned, by check to LWVIN, to the local League's Education Fund account at LWVIN. If actual project costs to be paid from the Education Fund will exceed the requested amount, the local League must contact the LWVIN treasurer. If actual total costs are less than 110% of the approved amount, the matter will be resolved by the LWVIN treasurer. If the actual costs match or exceed 110% of the approved amount, the matter will be presented to the LWVIN board for resolution.

**Final Project Report** – A detailed final report is required within one month of project completion to document compliance with IRS regulations. It can be combined with a request for final disbursement. Failure to submit a timely report seriously jeopardizes future applications by the same local League because LWVIN's tax-exempt status depends on the reliability of its operation and records.

Submitting the **final report** is the local League's responsibility; no inquiry by the state office should be expected.

The following points should be addressed:

- **Purpose:** LWVIN needs to know whether the project achieved its stated purpose. This is an important issue in the final report. An evaluation is best planned at an early stage.
- **Expenses:** Submit a comprehensive itemized statement of expenses paid from Education Funds, attaching photocopies of all documentation such as receipts, bills, expense vouchers, and canceled checks. The terminology should be the same as in the original project budget.**Reconciliation:** If the final fiscal statement does not closely match the approved budget, an explanation of actual vs. budgeted data must be included.
- **Publications:** If the project is a publication, a copy of it should be included. List names of writers and editors if they do not appear in the publication, name of printer,

- and number of copies reproduced, cost per copy including costs of distribution and promotion, and current storage if any.
- **Meetings:** If the project is a public meeting, lecture, etc., list names of presenters, place, date, time, number of attendees, co-sponsors if any, and evaluation results if any.
  - **Excess income:** If the Education Fund disbursement received by the local League exceeds the costs, as shown in the fiscal report, the surplus must be promptly returned to be credited back to the local League Education Fund account. If the surplus consists of restricted funds raised solely for the project, the consent of donors must be obtained to convert to unrestricted funds. If the donors' consent is not obtained, the excess funds must be returned to the donors, a nuisance because of the tax deduction involved.
  - **Later sales income** from LWVIN-supported publications must not be mingled with the general League fund. It must be deposited in the local League's Education Fund account.

### **Checklist for Education Fund Projects**

- Become knowledgeable about the League of Women Voters of Indiana Education Fund.
- Discuss and approve an education fund project at a local board meeting. Verify what Education Funds are needed and available.
- Establish an Education Fund account if none exists for your local League. Make sure the local League treasurer understands Education Fund policy and procedure.
- Submit a comprehensive Project Approval Request form including a budget to the LWVIN board of directors **before** starting a project. Decide whether you want funding immediately or later.
- Wait for approval by LWVIN before you start. Allow at least four weeks for approval.
- Solicit unrestricted funds to support this and other Education Fund projects as needed. Checks payable to: League of Women Voters of Indiana Education Fund.
- Solicit restricted funds to support this project only **after** approval of the project is received from LWVIN. Checks payable to: League of Women Voters of Indiana Education Fund. Keep a separate record of restricted funds.
- Deposit tax-deductible contributions in the local's LWVIN local account, using the designated Deposit Form.
- Complete the project within one year of approval or re-apply.

- Submit a Final Project Report form within one month of completing the project.

**List of Other Documents and Forms Available on [www.lwvin.org](http://www.lwvin.org)**

League of Women Voters of Indiana Education Fund Deposit Form

League of Women Voters of Indiana Education Transfer of Funds from Local League Acct

League of Women Voters of Indiana Education Fund Project Approval Request Form

League of Women Voters of Indiana Education Fund Final Project Report

Advocacy Activities that Leagues May Undertake Using Charitable 501(c)(3) Monies