

Section 7 - FINANCES & FUND-RAISING

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Finances & Fund-Raising

basic philosophy

As is true with other aspects of basic organization, if your chapter spends most of its time worrying about and raising money, it is time to reassess the situation. There is something to be said about running a no-frills, low-overhead operation. You can find many effective, low-cost education project suggestions in this Handbook, for example. You can also make use of a basic philosophy that includes never paying for what you can get for free and making maximum use of available resources. However, few chapters can operate without any source of income. If your group develops a plan for its over-all goals, specific projects and public relations strategy, it should also make a financial plan.

financial records

Even if you do not plan to file for tax-exempt status, you can set up your chapter's financial records in the format of the NSS group tax exemption report forms (see the following section). Then if you decide to file at some future date, your financial information will be ready.

tax exemption

In order to be recognized as exempt from federal income tax, each Chapter must EITHER be included in the National Space Society group tax exemption OR file an application for recognition of exemption (Form 1023) with the IRS. The first option is generally easier for most Chapters. Some of our larger Chapters file on their own.

Chapters that want to be included in the NSS group tax exemption must submit a letter of authorization each February allowing the National Space Society to file on your behalf. NSS Headquarters supplies a simple form for this purpose (see "Group Exemption Authorization Letter" in the Appendix). In addition, the IRS requires NSS Headquarters to have on file a Chapter Annual Report which contains the following information (Chapter Annual Reports should be submitted in July each year):

1. A financial report showing assets and liabilities as well as income and expenses for the year (see "Balance Sheet" and "Income Statement" in the Appendix).
2. A copy of the Chapter By-Laws.
3. A brief description of the activities of the Chapter during the year. If a Chapter sends a newsletter to NSS Headquarters that contains this information, no additional statement is needed.
4. An updated list of Chapter officers with their addresses.

All Chapters must also have an IRS employer identification number. This is a tax ID number and, despite its name, has nothing to do with whether or not you have employees. The IRS requires all organizations engaging in monetary transactions (whether non-profit or not) to have an employers identification number. Chapters may apply for an employers identification number by simply checking the appropriate box on the Group Exemption Authorization Letter form. Notification of assignment of an employer ID number will be mailed directly to the Chapter by the IRS. Please note that the Chapter's address, for IRS purposes only, must be a street address and not a post office box. Post office boxes are, of course, acceptable for other purposes.

fiscal year

The official fiscal year of the National Space Society runs from July 1 to June 30. Chapters included in the Society's group tax exemption must have the same fiscal year the Society has.

chapter assets

These are not just the money in your treasury, but also your exhibits, models, library, equipment, merchandise, even the supplies in your work box. Your chapter must not only handle its finances properly, but also these items. If you have non-profit status, there are rules about what happens to a chapter's assets if it dissolves. So keep it clear what items belong to the chapters, what has been donated for tax credit, and what is on loan from members and others, but remains their property.

sources of revenue

In an average NSS chapter total income is divided fairly equally between dues, donations and sales. Dues are the amount charged for membership in a chapter in addition to NSS membership dues. To increase total dues income, you must consider both how to recruit new members and how to encourage current members to renew. Developing other revenue sources will allow your chapter to charge lower chapter dues, making new member recruitment easier. (Many of these other methods of raising money require that you first establish your chapter's non-profit tax-exempt status with official documentation). At times NSS may offer various incentives to chapters to encourage the recruitment of new NSS members. See Section 1.3 of the Chapter Starting Handbook and the Chapter Rules in the Appendix for current information.

Even if your chapter is lucky and clever enough to develop other sources of funding, it is probably wise to charge a small amount for dues. After all, the most effective indication of how well your chapter is doing its job is whether its members regard it highly enough to pay those yearly dues. When members don't renew, they are giving a clear sign that something is wrong.

donations

Your donation income may come exclusively from your members, primarily officers. However, if this is the way that most of your projects or operating expenses are funded, you are in danger of demoralizing and burning-out your activist members. Other sources of funding are vital to a healthy chapter.

People and businesses can donate money to your chapter in various ways. They can simply donate cash, either as a unrestricted gift or for a specific project, or make pledges that can be paid later or in installments. Special donors may want to give challenge or matching donations that are dependent on other money that you raise. Understand what tax and publicity advantages you can offer large donors. Keep a record of who donated what, for future reference.

companies

Local businesses are a possible source of donations. Your members' employers may have an employee matching program, whereby they will donate an amount equal to an employee's donation to the employee's designated non-profit group, such as an NSS chapter. Your members may not be aware of this possibility. An employee's space activism, such as speaking history or community projects, may also eventually lead to a employer donation.

Businesses can also be asked to donate directly to your chapter, buy ads in your publications, donate services, material, use of office equipment or space, professional advice and counsel or to become a business member of your chapter.

One chapter reports a \$2000 annual income from selling non-voting business memberships to local firms. They started out by having each member solicit one firm (usually their employer). Each firm was given a certificate suitable for framing and, hopefully, hanging in the business' lobby (see the how-to for certificates in the Organization Chapter). The membership price ranged from \$50 to \$100 depending on the size of the business. Most gave \$100 anyway. Once you start getting these folks signed up, then you go to

their competitors and say "Acme Widgets gave \$100, how much do you want to donate?" Once signed up, renewal seems to be a matter of dropping by to pick up the check. However, you may want to send a formal renewal packet with an "Annual Report To Business Members".

You should include an NSS membership in a business membership. This will give us a shot at drawing "middle class, respectable" business members actively into the chapter through their reading of *Ad Astra*. Also, this will put them in the NSS data base which is advantageous to the Society in many ways, from them seeing various special promotions that we run from time to time to improving our demographics toward "decision makers" and allowing us to sell more (and charge more!) for *Ad Astra* ad space. In the long run this could have an effect on holding down dues and/or allowing us to do more on existing member revenues.

individuals

Over 80% of the \$60 billion in annual donations is given by individuals. Gallup polls show that 45% of the U.S. population supports the space program. You can go to the public, but should ask them to donate for a specific project. Another source is individuals that you have provided a service for, as a speaker or giving a program for a youth group, for example.

how to ask

There are well-established techniques that can assist your fund-raising efforts:

- 1) The appeal must be emotional FIRST, then provide intellectual arguments for rationalizing the expenditure.
- 2) You must use a "case statement" approach and have a 1 or 2 page document that succinctly states your chapter's reason for existence, goals, positions and organization. You may append a larger document for technical details.
- 3) The appeal MUST be urgent, perhaps for a short term goal or (community) project.
- 4) A major reason for not giving is "not being asked". (In person, if possible.) Publicity does not raise money, someone has to ask!
- 5) Team solicitation (2 or 3) is most effective.
- 6) NEVER BE ASHAMED OF ASKING! If the goals are worth it, ask for all the traffic will bear! If not, don't ask.
- 7) Ask on the high side. The person will NOT be insulted and the actual donation will be in the range that the donor wants.
- 8) Be neat, professional and enthusiastic. Donations are directly proportional to enthusiasm!
- 9) Don't be too "know it all" or disclaim minor criticism strongly: to persuade someone you cannot afford to be more than 85% right.
- 10) Let people SEE what they are getting for their donation.
- 11) Give "fair value", discounts on special events, etc.

other fund-raisers

Chapters have made money from speaking engagements, teaching classes, recycling paper or aluminum, bake sales, luncheons, dinners and pot-luck suppers and by selling donated items (not necessarily space-related) at flea markets and garage sales. Consider auctions of donated products or services. Combined fund-raisers can be done by sponsoring a DJ competition or securing rights to a local movie premier, then using another association's manpower.

You can add fund-raisers to Spaceweek and other special events. One that families enjoy is photoboards, colorfully painted semi-realistic space scenes with holes cut out for people's heads. You can advertise that people should bring a camera and just charge a small fee for use of the board (a real money-maker and attention-getter with a large crowd). It is more expensive and time-consuming to take and sell

the photos yourself, since you must get an instant camera and film (MAKE SURE you can return any unused film). You could also make space-theme carnival games. A space carnival might be a good school-based fund-raiser, perhaps to fund Young Astronaut chapters or a school space video library.

One chapter raised \$1600 in one night with Bingo. Although gambling is illegal in many areas, there are often exceptions for non-profit groups. Casino nights and raffles are other possibilities.

If an internal fund-raiser is necessary, you could make up "bills" for 1/100 of a project's cost and sell them at meetings.

sales

Beware of sales projects that involve large capital investments and require keeping large inventories. You may want to consider the space education value of the items you sell. Some things that chapters have sold are tee-shirts, NASA stickers, buttons, bumper stickers and calendars. A book sale is possible if you have or can borrow samples and sell from orders. See the Government Printing Office section in the Resources chapter for information about selling NASA publications. Your chapter may write, publish and sell a booklet about area space projects. You should try to have some low-cost items at events where you expect a large number of children. Selling many items for a small amount can be easier and make as much as selling few expensive ones.

Be sure to check on your state regulations regarding sales tax. Organizations exempt from federal income tax are usually not exempt from sales tax. You may be able to get a resale license so you pay sales tax only when you sell an item instead of when you purchase it. Resale licenses are usually required to obtain items wholesale.

grants

Grants are available from corporations, foundations and governments. This method of funding specific projects has been largely untapped by NSS chapters. Getting a grant is not easy. You must convince the funding source that you have a worthwhile, realistic goal and the ability and resources to achieve it. A grant application must be convincing, professional, thorough and accurate.

NSS does have some advantages: there is a wide range of space education projects for all levels and ages that are naturals for grant proposals, and we are working in new territory that is not already crowded with experienced grant-getters. However, grant-givers are also not familiar with our type of organization or project, so we will have an even greater challenge to convince them of the importance of our work.

As a nonprofit organization, an NSS chapter can apply for grants from philanthropic foundations. Your biggest job will be to research grant opportunities and make a good match between your chapter and a foundation's giving interests. Foundations do not usually advertise that they are giving away money. Your best resource is the Foundation Center, an "independent, nonprofit organization established by foundations to provide information for grantseekers". It sells a variety of publications, but first try to get to one of its over 150 regional collections located in libraries and other sites in all 50 states, Canada, Mexico, Puerto Rico, the Virgin Islands and Great Britain. Most of these have staff and/or printed guides to help you use the reference materials. Write: The Foundation Center, 79 Fifth Avenue, New York, N.Y. 10003 or call toll-free (800) 424-9836 for a complete address list.

Grant research is A LOT OF WORK! You need information that covers everything from the largest corporate foundations through the smallest community ones. Knowing which are likely to consider your application, what size grants they give under what conditions, what they want to know, when they consider applications (it may just be once a year), if they have geographic or other restrictions and who to apply to can save you a lot of wasted effort.

You may want to visit a Foundation library to get a basic idea of what is available and how to get started, but you shouldn't begin a serious search until you have carefully considered which chapter (or regional or Society-level) projects are likely to get funding. Will it serve a real need or help solve a problem? Do you have formal nonprofit status with documentation? Is your group capable of doing a good job? Does the project really need foundation funding? Can you write a grant proposal that will convince a foundation of these things?

Once you have reached this point, you can search for likely candidates for your application. Unfortunately there is usually not an application form that you can then send for and fill out. You must write a short, clear, convincing description of and justification of your project, that includes information about the people involved, a financial plan and references.

bank charges

Many banks will offer free checking accounts for non-profit organizations. If your bank does not, shop around.