



CREDIT UNION PHILANTHROPY & FOUNDATION TOOLKIT



THE FOUNDATION



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About the Foundation:

The National Credit Union Foundation (the Foundation) is the charitable arm of the U.S. credit union movement and works as a catalyst to improve people's financial lives through credit unions. Through Foundation grants and programs, credit unions provide widespread financial education, create greater access to affordable financial services, and empower more consumers to save, build assets, and own homes. Donations to the Foundation enable credit unions to help their members reach life-changing goals and achieve financial freedom.



The National Credit Union Foundation is a 501(c)(3) tax-exempt charitable organization. The Foundation continues to earn the Better Business Bureau seal of approval as an "Accredited Charity" for meeting all 20 BBB Wise Giving Alliance Standards for national charities.

About the Author:



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Executive Director, National Credit Union Foundation

Gigi brings a wealth of knowledge and experience to her role as the Executive Director at the National Credit Union Foundation. Prior to her work with the Foundation, Gigi served as a Board member of the National Credit Union Administration (NCUA). She strives to inspire people to learn how to collaborate and improve outreach efforts within the credit union movement. She encourages credit unions to make themselves part of the strategic architecture of their community's financial well-being, integrate business and benevolence and to become a trusted resource beyond credit union members. Prior to joining the NCUA Board, Hyland's career spanned fourteen years serving the credit union community as an executive, attorney and advocate.

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Who should use this toolkit?

This credit union philanthropy and foundation toolkit has been developed for use by credit union executives, boards and staff. It contains information and resources, which credit union professionals and volunteers will find useful when thinking about charitable and outreach activities, operating or starting their own foundation, and more.

Any credit union staff member tasked with managing charitable activities, involved with community outreach, making decisions relating to their own credit union foundation or thinking of starting a foundation will benefit from this toolkit. It's also beneficial for executive management and credit union boards to understand the credit union's philanthropic activities and ensure a good fit with their mission and vision.

Introduction

More than ever, credit unions are expanding their charitable endeavors. From food drives to breast cancer walks, credit unions are significantly involved in charitable works around the country. While there is no single measure of credit unions' philanthropic work, there are some telling statistics. In 2015:

- Credit unions contributed \$1.1 million to the National Credit Union Foundation to support financial capability efforts; and
- The Credit Unions for Kids program generated about \$11 million to benefit 170 Children's Miracle Network Hospitals. Credit unions are the 3rd largest sponsor of CMN Hospitals.

In addition, many credit unions have gone the route of starting their own foundation. There is no one source for information on the number of credit union foundations. However, a Guidestar (guidestar.org) search for "credit union foundation" pulls up a conservative 53 nationwide. This number continues to grow annually. The National Credit Union Foundation and state credit union foundations regularly receive calls from credit unions asking questions on how to start a foundation.

This toolkit explores how credit unions are engaging in philanthropy, the resources available to credit unions, trends in starting credit union foundations, and some examples of different credit unions' philanthropic endeavors. It also provides background on the philanthropic role and work of the National Credit Union Foundation and state credit union foundations, which credit unions can leverage in their own communities.



The basics of credit union philanthropy

As not-for-profit financial cooperatives, credit unions operate under a universal set of operating principles¹ that distinguish them from their for-profit brethren in the financial services industry. The seven cooperative principles are:

- Voluntary and open membership
- Democratic member control
- Members' economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community

Of particular interest is operating principle seven, "Concern for Community." This principle provides that credit unions have a concern beyond their membership that extends to the community. This principle forms the cornerstone for credit unions' philanthropic endeavors. Being charitable is really part of credit unions' DNA. By focusing on the community where their members work, worship, attend school, etc., credit unions leverage their local presence to provide local service to members.

Local service and concern for community can mean so many things for a credit union. It includes affordable, appropriate financial products and services for members. It includes community leadership, collaboration, stewardship and charitable giving. It includes educating members and communities about financial issues. It also means putting members' needs first when engaging in philanthropy.

Where to start

As individuals, we all receive countless of solicitations for worthy charities. Deciding to whom we want to give and understanding why we give are key aspects of charitable giving. A recent article² breaks down the reasons people give to charity into three buckets:

- The purely altruistic – I donate because I value the social good done by the charity.
- The "impurely" altruistic – I donate because I extract value from knowing I contribute to the social good for the charity.
- The not-at-all altruistic – I donate because I want to "show off to potential mates" how rich I am.

An interesting Forbes article³ discusses how corporations should reassess their perspective on corporate giving. The author, Paul Klein, predicts, "The end of corporations giving money to charities and getting nothing in return is close at hand...As the pressure to quantify all results intensifies, businesses are finding that the most meaningful social change happens when they stick to the business of business."

That's an interesting premise for credit unions. As organizations that either by charter or design care about social change, credit unions should think about how they can do the most to advance people's financial lives through their charitable giving.

Strategic philanthropy

One way to think about your credit union's charitable endeavors is to think about the strategic plan for giving. As not-for profit financial institutions, each credit union's focus is on the member's financial life and well-being. When you think about your credit union's philanthropic efforts, think about how those efforts connect to improving consumers' financial lives. Take



ARE YOU CONNECTING THE BUSINESS OF YOUR CREDIT UNION – SAVING, LENDING, EDUCATION, OTHER FINANCIAL PRODUCTS AND SERVICES – TO THE CHARITABLE DONATIONS YOU MAKE?

a look at your credit union's mission and vision. Think about local and national charities or charitable efforts that help advance your institution's mission.

Are you connecting the business of your credit union – saving, lending, education, other financial products and services – to the charitable donations you make? Are you leveraging what you do best — consumer finance — into philanthropy that focuses on strengthening the financial well-being of everyone in your community?

Arguably, strategic philanthropy is more authentic than “check book” philanthropy. It links more closely and clearly to your strategic priorities and your brand. It can help you stand out in a crowd of other philanthropic efforts by showing your members, how you care about their interests.

Think about linking the philanthropic impact you want your institution to have to improving members' financial well-being. If we look through the consumer's eyes, a path to charitable giving may become clearer. Consumers want control of their money. They want the freedom of choice and capability to decide their current and future financial life. When an ordinary person (i.e. – all of us) faces financial issues, she/he should think of a credit union – a place that is her/his trusted resource for information and solutions that are in the consumer's best interest.

Here's a great example. If you haven't seen it yet, check out *Spent: Looking for Change*⁴, a 40-minute documentary funded by American Express. The movie

follows four families' struggles to manage their finances and deal with a downward, seemingly unbreakable spiral of financial difficulties. It discusses how costly and difficult it is to make ends meet when your choices for financial services become more and more limited.

Bluntly, the families profiled in *Spent* are your members, your employees, your neighbors and your family members. Did they have the option to join a credit union? Did they know that a credit union might be able to help them? Those answers are unclear. However, if you think about a credit union's philanthropy, how might it reach the families profiled in the movie?

Another way to put this – “Embed social change in your business. Financial institutions should find new ways to get vulnerable people access to capital. Companies in extractive industries such as mining or oil and gas should put a high priority on adding more indigenous suppliers and employees. Car companies should focus on sustainable transportation. Pharmaceutical companies need to create new revenue models around preventing illness.”⁵

What might the results of strategic philanthropy look like?

- Credit unions are recognized at the local, state and national levels as authorities on how to help people with their financial lives.
- Credit unions have a seat at the table for local, state and national dialogue about what is working in financial capability and how we measure the effectiveness of these efforts.
- Credit unions serve as an integral part of the strategic architecture of a community's financial well-being.
- Credit unions are at the heart of efforts at all levels to be trusted providers of financial education resources and information.

As you think about your credit union's philanthropy, think about how to get more involved with charitable efforts that enhance your members' financial lives. Look around and reach out to unlikely partners – non-profits, local government, other cooperatives, farmers' markets, food banks, asset-building coalitions, etc. – who have complementary missions around financial capability. Strive to become part of the strategic architecture of your community's financial literacy efforts.

And, document your efforts. What philanthropy/charity are you doing that works? What have you tried that didn't work so well that you had to modify? Where do you see the needs in helping consumers with financial capability? There is a great deal of research, field and policy work being done in the area of financial capability and financial well-being. Your experiences can better inform policymakers and others to make decisions that truly advance people's financial lives.

Strategic philanthropy is not about unicorns and rainbows. It's not "kumbaya." Rather, your philanthropic efforts have a direct link to your advocacy efforts. Documenting the impact of your philanthropy on your members' lives is a great way to advocate for your uniqueness as a financial institution, why you are different and why that uniqueness matters. Legislators want to know how you are making a difference in the communities they represent. Your philanthropy can help tell that story.



The Credit Union System's National and State Philanthropic Arms

While there is a trend amongst credit unions to start their own foundation, for the past 35 years, national and state credit union philanthropic organizations have been around to advance philanthropic efforts like financial education, scholarships and cooperative philosophy training. This section will discuss the work of both the National Credit Union Foundation and its sister state credit union foundations.

There is a tremendous opportunity to link this vibrant, established network with credit unions' individual philanthropic efforts. In fact, leveraging the interdependence of local, state and national credit union philanthropy strengthens credit unions' uniqueness and advocacy for the cooperative financial services model. While your credit union may be thinking of starting its own foundation (or already has one), please explore and utilize the existing philanthropic network to amplify your efforts.

The National Credit Union Foundation

Mission and vision: Starting at the national level, the National Credit Union Foundation (the Foundation; [ncuf.coop](https://www.ncuf.coop)) is the philanthropic arm of the nation's credit unions and is affiliated with the Credit Union National Association (CUNA). The Foundation's vision is making financial freedom achievable through credit unions. At the Foundation, we believe that all consumers should have the education, tools and resources needed to achieve financial freedom. (<https://www.youtube.com/watch?v=c-TUfvkdB98>).



Whether it's collaborating on projects, convening resources, igniting passion, honoring leaders, or making financial education meaningful, the Foundation represents credit unions at the national level, kick starting their efforts to strengthen the financial well-being of everyone in their community.

Additionally, the Foundation actively participates and presents at several national financial literacy conferences to represent the good work credit unions already

do in providing financial education to members and communities and to talk with policy makers on efforts to improve consumers' financial well-being nationwide. To help people achieve financial freedom, we work with credit unions, state trade associations and foundations, government agencies, and other partners.

We are indeed a catalyst – a change agent, aggregator, connector, spark, leader – working to improve people's financial lives through credit unions.

Products and programs: Many of our programs focus on learning by doing. For example, our signature REAL Solutions® program works with state credit union trade associations to provide credit unions the tools to make a difference in the financial lives of members, families and communities. Our continued focus is to achieve broader and deeper scale in our programs through train-the-trainer efforts and thereby greatly increase the number of people who have access to our experiential learning programs and member products. In addition, we are deeply engaged with the broader financial education and innovation communities to bring new strategies to help working families achieve financial freedom. Programs include helping credit unions offer high school Financial Reality Fairs⁶, help provide Enhanced Financial Counseling Certification (FiCEP), help credit unions offer nonprime auto lending and a variety of toolkits on different timely topics that credit unions can use to better serve members.

Another program is Biz Kid\$. Biz Kid\$ is a national financial literacy initiative, credit union funded and branded, that teaches kids about money and business. The overall objective of Biz Kid\$ is to engage young people and help them develop life skills in the areas of financial literacy and entrepreneurship. The initiative



includes an Emmy award winning television series, free classroom curriculum, outreach activities, and a website targeting kids 9 – 16 years old. It is the first national public television series promoting financial education for elementary through high school students and was created by the same team that produced “Bill Nye the Science Guy.”

A coalition of over 300 credit unions and affiliates from across the country have helped exclusively fund Biz Kid\$. This collective body has contributed over \$14 million towards the show’s production, website, curriculum development, and outreach.

All 65 episodes begin and end with an underwriting credit reminding viewers that: “Production funding for Biz Kid\$ is provided by America’s Credit Unions, where people are worth more than money.” Downloadable collateral materials also recognize America’s Credit Unions, helping draw the brand link between



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credit unions and the national underwriting sponsorship of Biz Kid\$.

Each Biz Kid\$ episode shows kids how to make and manage money. To keep young viewers engaged, the series includes a fast-paced mix of direct education delivered by young actors, sketch comedies, and stories featuring real life young entrepreneurs. Biz Kid\$ used the power of television to teach students how to use credit wisely and reinforces the importance of budgeting, saving, and giving back to the community.

The Foundation also houses the sought-after Credit Union Development Education (DE) Training program. The Foundation’s unique DE Training provides critical lessons in cooperative principles, credit union philosophy and international development issues while incorporating challenges credit unions face today. Linking our past with credit unions’ present, the DE program brings renewed relevance to the philosophy of “People Helping People.” During the week-long training, participants are involved in group exercises, field trips, encouraged to ask questions of visiting speakers, and are required to complete team projects proposing solutions for credit unions to help alleviate or eliminate challenging situations in any given area. Since 1982, more than 1,500 credit union advocates from over 34 countries have graduated from DE Training to become Development Educators (DEs).



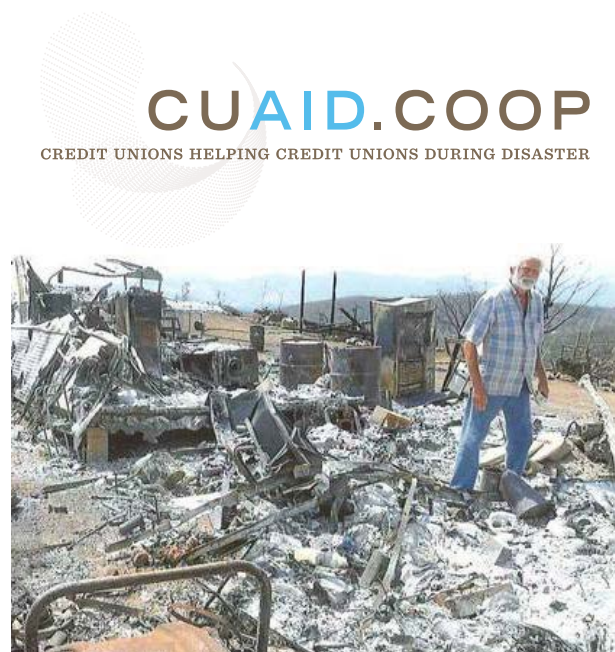
Honoring those who advance the credit union movement: We honor those whose work has contributed to the advancement of the credit union system through our annual Foundation Dinner presenting the Herb Wegner Memorial Awards in conjunction with CUNA’s Governmental Affairs Conference.

Grants: The Foundation recognizes that products alone are not enough to achieve the desired results. Access to information and resources for families to build their

financial capability is crucial to successfully building economic security. Over the past ten years, the Foundation has granted \$35,000,000 to credit unions and other organizations to start new programs, implement new products and develop education strategies to build a stronger membership and community. The Foundation has funded the efforts of credit unions and other non-profit organizations to help families and individuals build assets and achieve financial security by offering needed products and services, impactful wealth building strategies and progressive financial education programs. Access to the right financial products such as first step transaction services, timely and appropriate lending products and savings programs can move members up a path to financial security.

The Foundation typically has an annual grant cycle when it accepts applications from credit unions and non-profit organizations to fund substantive, innovative programs that tie to its vision of making financial freedom achievable through credit unions. Generally, the Foundation funds grant applications of \$10,000 or more. Successful applicants will build programs that support financial counseling initiatives, experiential learning programs and the delivery of innovative, ground-breaking financial products that can be scaled and replicated within local communities and across the country and have measurable results and impact.

Disaster relief: The Foundation offers the first national online disaster relief fundraising center for credit



unions. Through cuaid.coop, credit union organizations are encouraged to offer employees and members an online giving option to support The Foundation's Disaster Relief Fund, the only disaster relief fund dedicated to helping credit unions, their employees and members recover from major disasters.

One thing that is unique about the Foundation's work is that while we're focused on improving people's financial lives through credit unions, we never actually touch consumers. That's where our key partners—the state credit union foundations—come in. Through collaborative effort, the state credit union foundations utilize, promote and drive the Foundation's resources to credit unions to ultimately help consumers.

State Credit Union Foundations

There are currently 28 state credit union foundations across the country. In all cases, these state credit union foundations work in conjunction with the state credit union trade association or league. An interactive map that shows all the state credit union foundations and their key contacts can be found at: <https://www.ncuf.coop/resources/state-foundation/state-foundation-map.cmsx>.



Mission and vision: The work of the state credit union foundations varies. A majority of state credit union foundations focus on financial education, professional development of credit union staff and volunteers and disaster relief for credit union communities. Others focus on certain programs (i.e., high school financial reality fairs), Volunteer Income Tax Assistance, or raising funds for Children's Miracle Network Hospitals. Others still focus on leadership development for credit union professionals and grant making to support smaller asset size credit unions.

Network: State credit union foundations have a vibrant network, called the SCUF Network, where the state and national foundations collaborate on a whole host of programs, fundraising and resources. The Foundation and state credit union foundations meet quarterly via conference call and annually, in person, to share information and set a synergistic agenda for the year ahead.

Leveraging national resources: As noted above, state credit union foundations are the conduit to bring the products, programs and resources developed at the Foundation to credit unions and local jurisdictions. This interdependence creates a synergistic benefit for the credit union system in that it allows credit unions access to resources that they wouldn't necessarily be able to develop themselves. It also provides credit unions insights into national financial capability issues and tools to respond to those issues faced by their members.

Grants: Similar to the Foundation, state credit union foundations are also a tremendous resource to credit unions looking for funding of particular work. State credit union foundations fund a variety of subject matters including the following:

- Professional development scholarships;
- College education scholarships;
- Financial Reality Fairs;
- Financial education;
- Biz Kid\$;
- Credit Unions for Kids@;
- Small credit union grants (marketing, new service, etc.); and
- Disaster relief

The amount of funding for the subject matters listed above ranges from \$1,500 to \$25,000 depending on the project and scale.

As mentioned above, the National Credit Union Foundation and SCUF Network collaboration offer significant resources and tools to advance your local philanthropy. Please use this network to support and advance your credit union's local philanthropy.



An alternative to starting your own foundation

While there are many good reasons for a credit union to start its own foundation, there are an equal number of good reasons to fully leverage the current philanthropic network that exists in the form of the national and state credit union foundation network. There are a tremendous amount of knowledge and resources available to credit unions through the SCUF Network, whether it be the products and programs cited above or information on

philanthropy trends and information for your credit union's board to consider.

In addition, as an alternative to establishing your credit union's own foundation, your credit union could work with either your state credit union foundation or the Foundation to establish a designated fund agreement. This agreement establishes a "restricted" fund for your credit union, which are administered by either foundation for the mutual benefit of your credit union members. By working with state or national, you avoid start-up costs (i.e., getting your tax exempt status); continued compliance and reporting obligations (i.e., 990 form); and a separate accounting system to track your non-profit financials, which are very different from credit union statements.

You would need to establish a designated fund committee staffed by 3 to 5 members including one member of the state credit union foundation or the Foundation. This committee would provide the means necessary to utilize the resources gathered through contributions. You would provide grants to local, state or national agencies as agreed by the fund committee. The state or national foundation would charge a small fee for administering the designated fund in the range of 2 to 4 percent of the average monthly fund balance.

Credit unions should also look around their communities to see if there are community foundations with whom they could partner. It's possible that you can achieve your philanthropic objectives by working closely with an already established foundation in the community.

Starting Your Own Credit Union Foundation

There are many reasons why a credit union may want to start its own foundation. A credit union may want to bring more focus its charitable giving. Credit unions are solicited by lots of local interests and charitable causes. Creating a foundation with a particular mission narrows the scope and may increase the impact of the credit union's philanthropy. A credit union may also start a foundation to expand its presence in the community. As part of an increased field of membership, a credit union may want to create a foundation to serve as the point entity for community involvement and philanthropy. A credit union may also want to

boost member and community giving to the causes it supports. By contributing to a foundation, individuals can leverage the tax deductibility of donations. Later in this toolkit, you'll read about four credit unions, all of whom had slightly different reasons and drivers for starting their own foundations.

What does it take to start a foundation

There are a myriad of resources online⁷ that walk through the basics of starting your own foundation. These are a great starting point for a credit union considering starting up its own, separate philanthropic entity. Many credit unions have gone the route of starting their own foundation. There is no one source for information on the number of credit union foundations. However, a Guidestar (guidestar.org) search for "credit union foundation" pulls up a conservative 53 nationwide. This trend is growing.

Some basic questions to consider as you venture forth to start a foundation are the following:

- Why are we forming this organization? Is starting a new nonprofit the right solution?⁸
- Who will donate the start-up capital and how will the foundation be sustained?
- Who will serve on the board, who will be the officers, and who will do the work?
- How much control do we want over the funds and what is the effect on taxes?⁹

These questions serve as a good jumping-off point for a credit union to consider as it explores the possibility and feasibility of starting a foundation. That said, there truly is no substitute for hiring qualified legal counsel in your particular state who is familiar with nonprofit law and can advise you on the many decision points you'll have as you start the journey of creating a foundation.



The legal landscape

Understanding the regulations and legal requirements of starting and maintaining a foundation is critical. While many may think to start with the tax treatment of the organiza-

tion, the correct starting place is the state where you're located. Each state has its own set of laws and requirements for starting a charitable organization. Familiar-

izing yourself with the particular requirements of your state can help you with the decision-making process of the type of foundation you may want to set up.

The Foundation Center (www.foundationcenter.org) has a particularly good clickable online map where you can look up each state's requirements and a resource list for starting a charitable organization. You can find it the map: <http://foundationcenter.org/gainknowledge/map/start-up-map.html>



In general, nonprofits can be established as an unincorporated association, a charitable trust, or a corporation under state law. Each form has its advantages and disadvantages:

"There are fewer government reporting requirements for unincorporated associations, but they will find it more difficult to be recognized as tax-exempt, and they cannot receive grants from most foundations and corporations. Charitable trusts can be recognized as tax-exempt, but they do not offer their trustees the same protections from personal liability as those enjoyed by directors of not-for-profit corporations. While becoming and operating a nonprofit corporation requires considerable time and effort, the advantages of this form of legal organization make it the one most groups choose if they require substantial public support, and if they expect their operations to be ongoing."¹⁰

It's important to think through the basic questions cited above to help decide which form of nonprofit will work best for your credit union. Again, it's strongly advisable to consult with knowledgeable legal counsel to help the credit union make these decisions.



Governance

You want to spend some time thinking about the governance of the new entity you are forming.

For example, if you are focused on a particular local community, you may want to think about including community and/or nonprofit leaders to serve on the board of your foundation. If your philan-

thropic efforts will be more national in scope, think about inviting leaders in industries that can amplify and enhance the stated mission of your new foundation.

Put another way, “Finding desirable board members can be a difficult task. A good board member is someone who is interested in the organization’s purpose, willing to work within a group, and be in a position to make financial contributions to the organization, or to find others who will. Inviting prominent members of the community to join your board can attract interest, excitement and prestige to the organization. It is also desirable if board members are well known in the field in which the nonprofit organization functions, and it can be extremely beneficial if they have expertise in areas such as real estate, nonprofit law and accounting. For example, having someone on your board who is savvy on real estate matters can be quite helpful when complex issues arise down the road, such as negotiating leases or purchase contracts.”¹¹

Conversely, you may have decided to have a private foundation so that the credit union can maintain control over the foundation’s governance and funding.

It’s also incredibly important to be transparent with potential board members and make sure that they know “what they’re getting into.” Be clear on expectations around fundraising, participation in foundation events, seeking sponsorships and leveraging a person’s network on behalf of the nonprofit. A written description of board member responsibilities and duties helps everyone be on the same page when the real work of the foundation is underway.



Tax status

Once a credit union’s foundation has been appropriately organized and certified under applicable state law, the next step will be to seek an employer identification number (EIN) (a.k.a. – Federal Tax Identification Number) from the IRS even if the newly formed nonprofit will not have any employees.¹² The organization must have an EIN before submitting an application to seek tax exempt status from the Internal Revenue Service (IRS). IRS Publication 557 (<https://www.irs.gov/pub/irs-pdf/p557.pdf>) lists all the requirements and ins and outs of various tax exempt designations. The type of corporate entity you’ve chosen (i.e. – association, trust or corporation, see above) will have

ramifications in applying for tax exempt status.

In addition, how you intend to fund and govern the new nonprofit will be part of this decision-making process on whether the new credit union foundation is a private foundation or a public charity. In general, public charities are understood to perform charitable work, while private foundations support the work of public charities.¹³

In order to qualify as a 501(c)(3) public charity, the organization must be organized exclusively for 501(c)(3) purposes. A public charity will have more favorable deductibility limits to donors (50% of adjusted gross income for cash donations). The board of a public

“MORE THAN 50% OF THE BOARD MUST BE UNRELATED BY BLOOD, MARRIAGE OR OUTSIDE BUSINESS CO-OWNERSHIP AND NOT BE COMPENSATED AS EMPLOYEES OF THE ORGANIZATION.”

charity must be diversified. “More than 50% of the board must be unrelated by blood, marriage or outside business co-ownership and not be compensated as employees of the organization.”¹⁴

Finally, public charities are just that – public. They must be supported by public sources of income. “For that to be true, a significant amount of revenue, at least 33%, must come from relatively small donors (those who give less than 2% of the organization’s income), from other public charities or the government. While that is significant, that leaves 67% to potentially come from other, less diverse sources.”¹⁵

A private foundation, on the other hand, has the ability to be controlled and funded by a small group of related parties, including one individual or family (i.e. – the Bill and Melinda Gates Foundation). In addition, private foundations may have lower deductibility limits to donors (30% of adjusted gross income for cash donations), mandatory annual Form 990-PF filing (an equally lengthy and complex form that must be filed regardless of the amount of annual revenue), and minimum annual asset distributions (5% each year).¹⁶

The application form to be considered for tax exemption is IRS Form 1023 (<https://www.irs.gov/pub/irs-pdf/f1023.pdf>). In addition, if your organization expects to be represented by an individual such as an attorney, CPA, officer or other person authorized to practice before the IRS, whether in person or by correspondence, you will need to file a Form 2848, Power of Attorney and Declaration of Representative, with your exemption application (<https://www.irs.gov/pub/irs-pdf/f2848.pdf>) and possibly Form 8821 as well (<https://www.irs.gov/pub/irs-pdf/f8821.pdf>).

Once you receive a tax exempt letter from the IRS, you'll need to check your state and local requirements regarding any registrations (if needed) before conducting fundraising. In addition, you'll need to complete any state exemption requirements.



Technology

An area that doesn't get a lot of attention is the technological needs of a foundation. You don't necessarily see this as a prominent topic in the many discussions of how to form a nonprofit. That said, it's critical to think of how a credit union may leverage its own technology to benefit its foundation. As noted above, regardless of the type of tax exemption bestowed by the IRS, there are complex reporting requirements that necessitate accurate and consistent recordkeeping for donor recognition, donation amounts and the purpose and anticipated use of funds received.

A credit union should involve its information technology professionals as well as legal counsel to analyze how systems may be leveraged or modified to accommodate the needs of the nonprofit while adhering to privacy regulations and the separation between the two legal entities – the credit union and the foundation.

An online search will generate many different possibilities for software specifically design for fundraising and nonprofit organizations. It's critical to ask not only

who will do the work for the new nonprofit, but how will that work get done and what will it cost to do.

And now the real work begins

After surmounting the initial organization and regulatory hurdles, the real fun begins.

In addition to state or local registration requirements (if applicable and as noted above) before you start fundraising, you'll need to get all the mechanics in place to maintain the foundation's tax exempt status and launch operations. This may include:

- Structural issues like staff, space, services
- Setting up systems and policies
- Accounting
- Fundraising and disclosure requirements including public inspection of exemption applications and returns; substantiation and disclosure of charitable contributions; and robust recordkeeping
- HR and employment issues
- Risk management
- Regular activities
- Tax withholdings
- Board meetings
- Quarterly obligations (e.g., reporting taxes withheld (federal/state/potentially local)
- Annual obligations including: filing an annual report with state government; filing Form 990 information return with IRS (and any similar form required by the state); filing unrelated business income tax filing (if applicable).¹⁷

If your credit union is thinking about starting its own foundation, it's critical to develop a thorough and complete strategy that addresses all of issues above in order to assure the sustainability of your new philanthropic effort.



Examples of Credit Unions With Their Own Foundations

Getting a sense of what others are doing with their philanthropy can be helpful in guiding a credit union's decisionmaking on whether to start a foundation or not. To that end, below are four credit unions with slightly different models and purposes for the foundations they've chartered. Three have been around for several years and one is only five years' old. These case studies give perspective and insight into the diversity of credit unions' philanthropic efforts and the ways they accomplish their philanthropic goals.

American Heritage FCU

Who and when: American Heritage FCU created its Kids-N-Hope Foundation, a 501(c)(3) public charity under IRS regulations, in 1996. In addition to its own foundation, American Heritage recognizes that being a good corporate citizen means being involved in a number of community initiatives. The credit union also makes regular donations on request to local, national and international causes and has permanent fundraising programs in place for its own Adopt-A-Family, Books for Kids and Food Drive programs. The Board of Directors also supports World Council initiatives and disaster victims through the National Credit

Union Foundation on an “as-needed” basis throughout the year. The credit unions members have said that it is important for their financial institution to support charitable causes and the credit union promotes its philanthropy and community involvement through newsletters, emails and press releases. As a result, the credit union has been consistently recognized by its peers as a national leader among credit unions for their charitable involvement with the community. <https://www.amhfcu.org/AboutUs/CommunityInvolvement/CommunityInvolvement.aspx>



What: The efforts of the Foundation focus on a Music Therapy Program at the Children’s Seashore House of the Children’s Hospital of Philadelphia (CHOP). Music provides these physically challenged children a means of personal creative expression for emotions and feelings. The Kids-N-Hope Foundation has used the funds that have been raised to purchase music equipment and provide the hospital with a full-time Music Therapist. The Foundation also funds additional musical therapists that are specially trained in working with developmentally-disabled children. The Music Therapy Program allows the children to express themselves and interact and support other children in the hospital.

The foundation has donated \$1,100,000 to CHOP to support its Music Therapy Program through such high-profile events like the Annual Gelatin Olympics, Car Show, Golf Tournament and Grand Illumination events.

Where: The primary geographic area of the Foundation’s work is Philadelphia.

How: The Foundation was originally funded by the members and employees of American Heritage. Legal funding to obtain 501(c)(3) status was provided by the Board of Directors. The board of directors of the Foundation is Bruce Foulke (President/CEO of AMHFCU), Scott McCaw (COO of AMHFCU), Brian Schmitt (CFO of AMHFCU) and Pat Kenney (Owner of Nationwide Insurance - The Kenney Agency Inc.) The Foundation is run by the Marketing Department and employees of AMHFCU and its CUSO partners.

Funding for the Foundation comes from the employees, members, business partners and the American Heritage FCU Board of Directors. Through special events and support of employees, members and board of directors, the Credit Union raised \$100,000 for the Kids-N-Hope Foundation during 2015, which brings the total donation to CHOP to \$1,100,000 since 1996.

American Heritage’s Kids-N-Hope Foundation holds four major events each year, along with fundraising activities, such as dress down days that help raise funds to support the Music Therapy Program.

- **Car Show/Member Appreciation Day/Craft Show** - American Heritage Federal Credit Union and 98.1 WOGL host an annual Car Show, Craft Show and Member Appreciation Day each May at the AMHFCU headquarters on Red Lion Road in Northeast Philadelphia. Thousands of credit union members and area residents spend Saturday afternoon talking cars, shopping at the 45 vendor craft show and enjoying free games and entertainment for the family while listening to a live broadcast from 98.1 WOGL. During 2015, the show

raised \$10,000 for the credit union's Kids-N-Hope Foundation.

- **Gelatin Olympics** - Since 1992, American Heritage hosts the Annual Gelatin Olympics each summer. Over 100 brave sliders dress in their zaniest costumes and take the ultimate plunge into 700 gallons of strawberry gelatin. Over \$13,000 was raised during 2015 to benefit the Kids-N-Hope Foundation at The Children's Hospital of Philadelphia.



- **Golf Classic** - Since 1994, American Heritage FCU hosts its Annual Golf Classic on Columbus Day. Golfers come out to enjoy a day on the greens and the chance to bid on Silent Auction Items and win prizes such as gift certificates, golf clubs, or even a new car! The 2015 Annual Golf Classic raised over \$31,000 for the Kids-N-Hope Foundation.



- **Grand Illumination** - American Heritage Federal Credit Union kicks off the holiday season each year as members and local community residents gather together for the Annual Grand Illumination at American Heritage's Carriage House branch. Ben Franklin and Betsy Ross help host the event along with American Heritage's mascots Pat the Patriot and Lucy Change, as over 5,000 people enjoy the sounds of the holiday season with the Philadelphia Boys Choir and Fifes and Drums of the Old Barracks. The program finale is a spectacular fireworks show and musical presentation after the 40 foot Christmas tree is illuminated with over 35,000 lights. In the spirit of giving, guests are asked to bring canned and/or dry foods as admission to the event. As a result, American Heritage collected and donated over 800 lbs. of food to the Delaware Valley's largest non-profit food bank, Philabundance from the 2015 event. Donations collected throughout the evening resulted in \$2,000 raised for the Kids-N-Hope Foundation.

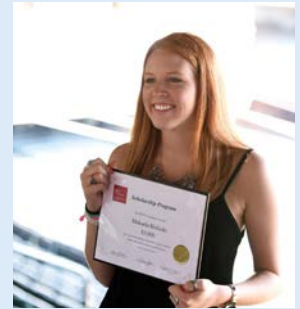
Lessons learned and opportunities ahead: The Kids-N-Hope Foundation has allowed the staff and board of directors of the credit union to become more connected to the efforts of Children's Hospital of Philadelphia and the Music Therapy program. Being able to see and experience first-hand how the funds are being utilized gives everyone a sense of accomplishment and a feeling of purpose.

The Foundation gives the credit union an opportunity to deepen relationships with its SEG partners and local businesses. This allows the credit union to not only expand the credit union mission of "People Helping People," but to also share the wonderful work being done at Children's Hospital of Philadelphia and their music therapy program.

BECU Foundation

Who and when: BECU chartered and endowed the BECU Foundation in 1995 based upon a member's suggestion that the credit union could help students pay for college. The BECU Foundation is a 501(c)(3) private Foundation under IRS regulations. (<https://www.becu.org/members-matter/community-involvement>)

BECU as a credit union has a community giving focus in three distinct areas: Financial Empowerment, Member-Inspired Giving, and Employee-Inspired Giving. The BECU Foundation falls under the Member Inspired Giving category and specifically set up to award college scholarships to BECU student members. In addition to efforts of this Foundation, BECU also gives to the community in areas mentioned above. For example, to celebrate the credit union's 80th anniversary, on October 20, 2015, BECU initiated a "Closing for Good" event. The credit union closed for part of the day and sent all its employees to local high schools to help conduct financial reality fairs for high school students. (<https://www.youtube.com/watch?v=OZoliCzfh2o>)



In addition, BECU has "People Helping People Awards" that recognize and honor both members and organizations in communities around the Puget Sound region (<https://www.youtube.com/watch?v=klAvoTcPMA>).

What: The BECU Foundation recognizes and awards a minimum of 27 \$3,000 scholarships each year to graduating high school seniors and undergraduate student members who have a passion for helping others. Since 1995, with the help of the credit union's business partners, member donations, and through fundraising activities, BECU has awarded more than \$2 million dollars in scholarships to 870 student members. In 2015, the 20th Anniversary of the BECU Foundation, they awarded 80 \$3000 scholarships to deserving graduating high school or continuing undergraduate student members. As part of the credit union's efforts to engage with students, the Foundation holds a scholarship banquet annually and hosts a special financial education night at a Seattle Mariners Game. This event derives positive feedback and press for the credit union. It's also a financial education moment for the students. (<https://www.youtube.com/watch?v=f9hi-tj3eC4>)



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Where: The primary geographic area of the Foundation's work is in the State of Washington, although any student member is eligible to apply.

How: The BECU Foundation received an initial endowment of \$1,000,000 from BECU upon its charter in 1995. When the credit union reached 500,000 members, the credit union endowed the Foundation with another \$500,000. In addition to those endowments, BECU also contributed special endowments totaling \$280,000 to have special recognition scholarships for key previous leaders at BECU, including former President & CEO Gary Oakland. The Foundation is also funded by an annual golf tournament that raises \$150,000 - \$200,000 each year. The Foundation currently has \$3 million in assets. The board of directors of the Foundation is Bruce Florsheim, President, Andrea Main, Vice President, and Roger Mauldin, Treasurer. Currently, the Foundation is staffed by one BECU employee, Debbie Wege, who wears multiple hats – Executive Director of the BECU Foundation and BECU's Community Giving Manager, and supported by various areas throughout BECU, such as Accounting, Marketing and Community Engagement.



Lessons learned and opportunities ahead: The Foundation was formed as a private Foundation with the hope it would eventually go public. Currently, it is still a private foundation with the specific focus of providing scholarships to BECU student members.

Elevations Foundation

Who and when: Elevations Credit Union chartered Elevations Foundation as a 501(c)(3) public charity in 2010 to serve as the credit union's charitable arm. The core purpose of the Elevations Foundation is to provide solutions for a better community. The Foundation allocates resources dedicated to supporting the communities that the credit union serves and centralizes community donations to ensure consistency and effectiveness. (<https://www.elevationscu.com/community/elevations-Foundation>)



What: Elevations Foundation has provided over \$1,000,000 in community resources since its inception in the form of scholarships, community grants, and emergency assistance.

Over \$165,000 in scholarships have been awarded to local graduating high school seniors in their pursuit of higher education. All of the Foundation's scholarship recipients have a proven track record in academics and community engagement, but most importantly they have a financial need. The Foundation supports six named scholarship initiatives, and 13 students received scholarships in 2015.

Elevations Foundation has also provided almost \$225,000 in community grants to local non-profit organizations. Community experts help determine focused giving areas so the Foundation can provide resources in areas with significant gaps in services. The current funding focus includes mental health, early childhood development, and environmental education and sustainability. In 2015, Elevations Foundation awarded community grants totaling \$38,500 to 11 organizations.



Lastly, Elevations Foundation is a rallying point for the community and the credit union's membership in times of need. Since 2010, the Foundation has provided over \$582,500 in emergency assistance for flood victims, wildfire victims, and community organizations.

Where: The primary geographic area of the Foundation's work is Boulder, Broomfield, and Larimer Counties in Colorado.

How: The Foundation was initially funded by Elevations CU, and the credit union continues to fund the Foundation annually at the discretion of the credit union's Board of Directors. Giving is encouraged for Elevations CU staff and volunteers. Credit union members are encouraged to contribute to the Foundation and new members may select to donate to the Foundation as an avenue to credit union eligibility. These amounts make up about 33 percent of the Foundation's revenue. The Foundation also solicits from the community at large, and solicits grants and additional sources of income from other Foundations. The Foundation continues to energetically seek funding from an ever wider pool of community supporters. The Foundation is run primarily by Elevations CU staff members who serve on the Foundation's board, which also includes Elevations CU Board Members, and members-at-large. The Foundation receives key support from the credit union's administrative staff.

Lessons learned and opportunities ahead: "Fundraising continues to be top of mind for the Foundation, and we're learning much about what works. Time and energy are key, as is leveraging applicable credit union resources. We're also learning how to leverage Foundation funding by integrating our membership more actively into the funding model. Patience is a virtue, as resources don't magically appear," notes Dennis Paul, Elevations Foundation Vice Chair.

Suncoast Credit Union Foundation

Who and when: The Suncoast Credit Union Foundation was chartered in 1990 as a 501(c)(3) public charity by Suncoast Credit Union to benefit sick children and their families as well as to fund educational initiatives. Overall, the Foundation is a vehicle for Suncoast CU to support the communities the credit union serves and help the people who live there lead healthy, stable and productive lives. <https://www.suncoastcreditunion.com/community/suncoast-foundation>

What: Since its inception in 1990, the Foundation has raised and donated over \$13 million dollars to help provide a better future for children and their communities. One hundred percent of the Foundation's funds are contributed to organizations and initiatives that assist children in the communities Suncoast CU serves, including scholarships, schools and classrooms, family support organizations, medical initiatives and other programs of direct benefit to our communities. In almost every one of these counties, their Foundation is the largest contributor to public education. Giving Times, the Foundation and credit union's publication, documents the foundation's activities with real statistics on community benefit: (https://www.suncoastcreditunion.com/~media/files/community/giving-times_2015%20pdf.ashx)

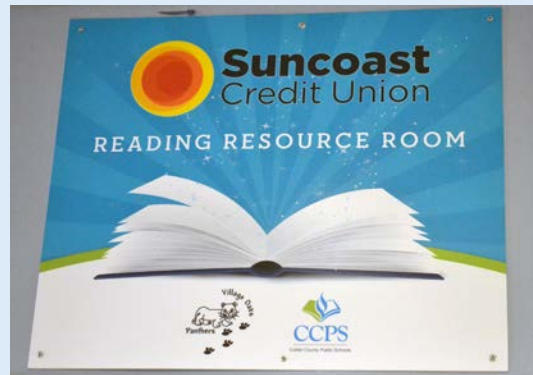
Where: The primary geographic area of the Foundation's work are the 17 counties in Florida served by the credit union.

How: The funding model for the Foundation is through the Suncoast Rewards Debit Card and VISA Credit Card program, which automatically generates funds that are dedicated to education and health-related initiatives benefiting children in the local community. Each time a member uses his or her debit or credit card for a purchase, two cents is donated to the Foundation to fund local initiatives.

The Foundation is run by an Executive Director, with help from a committee of six that meets every other month to discuss grant review, current objectives and funding. The committee members consist of two Suncoast Credit Union Board members and four Suncoast Credit Union employees.

Lessons learned and opportunities ahead: Cindy Helton, Suncoast Credit Union Foundation Executive Director says she has learned a lot running the Foundation and offers these key tips for other foundations:

- It's critical to have clear requirements for the grantee on each approved grant;
- Depending on the size of your foundation, administrative duties are an important and often an overlooked consideration when staffing; and
- When we share new opportunities presented through our employee outreach, this allows employees to be involved in volunteerism with various partners throughout the credit union's footprint, strengthening relationships in the community.



CONCLUSION

Your credit union's philanthropic activities come down to a few questions: Are we putting our money where our mission is? What's the impact of our philanthropic giving? Is it accomplishing the goals we want? Asking these simple questions may lead to ways to improve your current model, change the way you think about giving and help you document the impact your generosity is having on your community.

Sustained, authentic and consistent philanthropy is what sets credit unions apart from other financial institutions. If done right, your credit union will be seen as a financial well-being leader in the community and a trusted community partner that members see as more than just their "bank."

We at the Foundation hope this toolkit helps you improve the financial lives of your members and those in your communities through impactful philanthropy. Please let us know if you have any questions or comments via the contact page of ncuf.coop and be sure to also update us with your credit union's impactful philanthropic activities so we can share with others.

Resource List

- A. State Credit Union Foundation list with contacts: <https://www.ncuf.coop/resources/state-foundation/state-foundation-map.cmsx> (visit [ncuf.coop](https://www.ncuf.coop)>Resources>State Credit Union Foundations)
- B. Some resources online to help credit unions start a foundation include:
- i. The Council on Foundations: <http://www.cof.org/content/starting-a-foundation> and <http://www.cof.org/content/rules-road-guide-law-charities-second-edition>
 - ii. The Foundation Center: <http://foundationcenter.org/getstarted/tutorials/establish/index.html>
 - iii. The Nonprofit Law Resource Library of the law firm Hurwitt & Associates: http://www.hurwitassociates.com/table_of_contents.php
 - iv. The National Council of Nonprofits: <https://www.councilofnonprofits.org/> and <https://www.councilofnonprofits.org/tools-resources/how-start-nonprofit-step-1-research>
- C. American Heritage FCU Kids-N-Hope Foundation: <http://www.kidsnhope.org/>
- D. BECU Foundation: <https://www.becu.org/members-matter/community-involvement/scholarships>
- E. Elevations Foundation: <https://www.elevationscu.com/community/elevations-foundation>
- F. Suncoast Credit Union Foundation: <https://www.suncoastcreditunion.com/community/suncoast-foundation>

Disclaimer

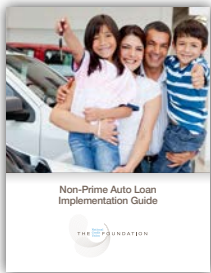
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This toolkit contains links to other resources. Those links are provided as citations and aids to help you identify and locate other resources that may be of interest, and are not intended to state or imply that we sponsor or are affiliated or associated with the persons or entities who created such site, nor are the links intended to state or imply that we are legally authorized to use any trade name, registered trademark, logo, legal or official seal, or copyright symbol that may be reflected in the links. We do not control or maintain the material presented by other persons on their websites. We do not vouch for or assume any responsibility for the content, accuracy or completeness of material presented directly or indirectly in linked sites.

Appendix

- ¹ See the 7 Cooperative Principles video at <https://www.youtube.com/watch?v=AUF0d4R8A-o>.
- ² <http://www.theguardian.com/voluntary-sector-network/2015/mar/23/the-science-behind-why-people-give-money-to-charity>
- ³ <http://www.forbes.com/sites/forbesleadershipforum/2014/07/09/the-coming-end-of-corporate-charity-and-how-companies-should-prepare/>
- ⁴ www.spentmovie.com
- ⁵ <http://www.forbes.com/sites/forbesleadershipforum/2014/07/09/the-coming-end-of-corporate-charity-and-how-companies-should-prepare/>
- ⁶ <https://www.youtube.com/watch?v=OZoliCzfh2o>; <https://www.youtube.com/watch?v=8CPdgsAqvIE>; <https://www.ncuf.coop/how-we-help/real-solutions/experiential/reality-fairs.cmsx>
- ⁷ Some resources online to help credit unions start a foundation include:
 - The Council on Foundation; <http://www.cof.org/contents/starting-a-foundation>; <http://www.cof.org/content/rules-road-guide-law-charities-second-edition>;
 - The Foundation Center; <http://foundationcenter.org/getstarted/tutorials/establish/index.html>
 - The Nonprofit Law Resource Library of the law firm Hurwitz & Associates; http://www.hurwitassociates.com/table_of_contents.php
 - The National Council of Nonprofit; <http://www.councilofnonprofits.org/>; <https://www.councilofnonprofits.org/tools-resources/how-start-nonprofit-step-1-research>
- ⁸ <https://www.councilofnonprofits.org/tools-resources/how-start-nonprofit-step-1-research>
- ⁹ <http://www.thebusinessofgood.org/get-engaged/starting-a-foundation.aspx>
- ¹⁰ <http://foundationcenter.org/getstarted/tutorials/establish/inc.html>
- ¹¹ http://foundationcenter.org/getstarted/tutorials/establish/board_dev.html
- ¹² <https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Employer-ID-Numbers-EINs>
- ¹³ <https://www.501c3.org/public-charity-vs-private-foundation/>
- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ Ibid.
- ¹⁷ <https://www.councilofnonprofits.org/tools-resources/annual-filings>

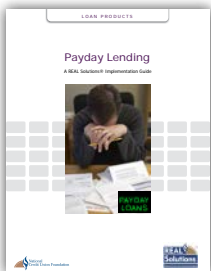
More REAL Solutions Tool Kits



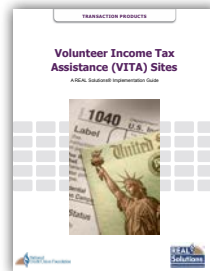
Most American workers (88%) drive to work. Not owning a car is a barrier to economic mobility and decreases a person's chance of improving job opportunities. Those with credit challenges are often forced to use predatory buy here/pay here auto lots, where they are more apt to be sold a poor quality car at a questionable price and interest rate, regardless of the buyer's ability to repay. This toolkit explains how to lend to low credit score members in a way that does not place the credit union at risk.



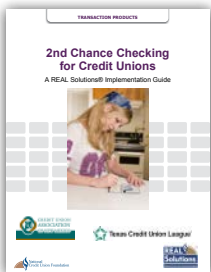
Thirty million workers in the U.S. today between the ages of 18 and 64 earn \$9 per hour or less. A single catastrophic event such as an illness can leave these families without shelter or adequate food if they have no savings on which to fall back. Helping households of modest means build wealth is part of the credit union social mission. Credit unions can use this toolkit to implement products to help low-wealth households establish savings.



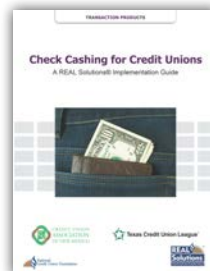
An estimated 15 to 20% of credit union members are using or have used a payday loan product sometime within the past five years. Members turn to alternative providers because they provide fast and easy loan approval with few questions asked or because they do not want their credit union to know they are having financial difficulties. This toolkit shows how credit unions can offer an affordable payday loan alternative that is sustainable for the credit union.



The Internal Revenue Service Volunteer Income Tax Assistance (VITA) Site Program offers free tax help to taxpayers who qualify, generally those with incomes of \$49,000 or less. The program provides trained and certified community and credit union volunteers to help taxpayers with special tax credits and completion of their returns. This toolkit will help credit unions participate in a VITA operation.



Most banks and many credit unions use Chexsystems or TeleCheck as a decision maker for opening a checking account for an individual. However, a negative ChexSystems record can make it difficult for an individual to open a checking account. Credit unions can use their existing checking product or develop a second product, but with some restrictions built into the product for those with past checking blemishes. This toolkit shows how this can be done.



More than 30 million Americans do not have traditional bank accounts and use check cashers as alternative financial outlets to perform basic financial services. Credit unions can be part of the solution to high cost check cashers by offering reasonable fee-based check cashing services to members and potential members that represent a good value for the consumer. This toolkit shows how it can be done.



Medical debt is a widespread problem that can create havoc with people's financial lives. If not dealt with, medical debt can snowball causing bigger problems. In fact, medical debt is the leading cause of personal bankruptcy in the United States. Yet medical debt tends to be talked about much less than credit card debt, mortgage debt and student loan debt. This Toolkit provides a framework credit union staff can use to identify medical debt issues and help members resolve his/her medical debt.