Comparison of Options for Management of Private Funds Given to Libraries

Note: This chart can apply to both Friends and/or Foundations. Please see notes below for more information about the differences between Friends and Foundations.

No Tax Exempt ID	Use City/County Tax Exempt ID	501(c)(3) – includes 509 (a)(1) assignment
Definition: Organization doesn't use a tax exempt ID. Donations are made out to the organization and placed in a private bank account.	Definition: Organization uses city or county tax exempt ID. Donations are made out to the City and/or Public Library. Money is then placed in city or county's account.	Definition: Formal organization that has its own tax exempt ID. It has a separate board, but works with the library board to support the library. 509(a)(1) is a classification under 501(c)(3). It describes supporting organizations, but parties are still required to use the same publication form as 501(c)(3)
PROS ■ No paperwork necessary ■ Easiest to set up	PROS ■ Donations are tax deductible ■ Easy to set up ■ City and/or county takes care of the accounting	PROS ■ Donations are tax deductible ■ Organization has its own tax exempt ID ■ IRS paperwork for individual donor is easier ■ Individual donors are usually more comfortable making a large donation to a 501(c)(3)
CONS ■ Donations are not tax deductible ■ Rely on the integrity of the person's whose bank account is being used ■ Is not easy to audit ■ Risk misuse of funds	CONS ■ People may be hesitant to write a check to the city ■ IRS paperwork for individual may be more cumbersome than for 501(c)(3) ■ Large donations unlikely ■ Depend upon city and/or county to do the right thing and make sure funding is used for the library	CONS ■ Takes longer to set up; paperwork is more complicated ■ Requires more volunteers, because it is separate from the library board

Friends versus Foundations

- Friends and foundation groups can:
  - Fundraise for the library
  - Advocate for the library
  - Help with library awareness and literacy efforts by providing programs, etc
- Can we have both?
  - Yes, but you must be clear about which group is responsible for what.
  - Generally speaking when both groups are present the Friends group is responsible for providing volunteers, smaller fundraising projects, and smaller scale programming. The Foundation group is usually responsible for larger fundraising projects (such as building a new library), creating and managing endowments, and longer term advocacy for the library.
- Semantics is part of the confusion surrounding a foundation and friends groups. Both are designed to support the library and both often raise money for the library. It doesn't matter what a supporting group is called, although some people have argued that large donors are more likely to give to a foundation than a friends group. You will need to determine what works best for your library, but what does matter is that roles are clear – between the library and the supporting organizations.