

# 2026 Public Library Friends and Foundations Handbook



MONTANA  
**STATE LIBRARY**  
A GREATER STATE OF KNOWLEDGE

## Contents

---

Introduction .....	2
What Does a Friends of the Library Group Do? .....	3
What Does a Library Foundation Do? .....	3
The Benefits of a Foundation .....	4
Do we need two separate groups? .....	5
Organization .....	6
Roles and Responsibilities .....	6
Library Director .....	6
Library Board .....	6
Friends or Foundation Board .....	6
Establishing a Friends Group .....	7
Establishing a Foundation .....	8
General Steps to Incorporating a Nonprofit Organization .....	9
Meeting with the Support Group Board and Filing with the State .....	9
Federal Filing with the IRS .....	10
Additional Filings for Property Tax Exemption, Withholding Tax .....	10
Opening a Bank Account .....	10
Additional resources .....	10
Reporting Requirements .....	11
Annual Filing .....	11
Quarterly Filing .....	11
Monthly Filing .....	11
Managing Conflict .....	12
Reviving a Dormant Support Group .....	13
Memorandum of Understanding: Questions to Consider .....	14

## Introduction

---

The *2026 Public Library Friends and Foundations Handbook* provides guidance for establishing and managing library support groups—Friends of the Library and Library Foundations—to enhance library services and funding.

Library support groups help advance the goals and priorities of the library by working closely with the library board and director in the planning and funding of projects that benefit the library.

[10.102.1158 Administrative Rules of Montana](#) requires a minimum of 70% of the library's revenue to be derived from local tax revenues.

Funds raised by library support groups are not meant to replace local tax revenues but to supplement the library's budget and, in some cases, to fund special initiatives and major projects.

[Contact your MSL Consultant](#) for more information.

## What Does a Friends of the Library Group Do?

---

A Friends group is usually comprised of volunteers and supports the library through fundraising, volunteering for events, and communicating the value of the library in the community.

The Friends group may provide input on the library's strategic plan and can help support its implementation through helping fund and carry out library priorities. Friends often help supplement the library's budget by funding smaller purchases such as books, furniture, or refreshments for library programs. Book sales are usually coordinated through the Friends of the Library. Friends can also help promote library campaigns.

- Volunteer-driven group focused on
  - Fundraising (e.g., book sales)
  - Supporting programs and small purchases
  - Promoting library campaigns
- Provides input on strategic plans and helps implement priorities

## What Does a Library Foundation Do?

---

A library foundation is a separate legal entity formed for the purpose of enhancing and expanding library programs and services.

Its primary function is to secure financial and in-kind donations for programs, services, collections, and capital projects. The foundation offers donors a familiar and reliable vehicle for tax-deductible contributions in support of the library.

Foundations often hire staff to coordinate activities on a larger scale than Friends' fundraising efforts. Foundations may raise funds for capital campaigns, major purchases such as bookmobiles, or special library events such as author visits; plan donor drives, write grants, and solicit or receive large donations and bequests.

By raising private dollars, library foundations are able to leverage and stretch public dollars. Donors may have a strong belief in the value of the public library yet do not wish to give their philanthropic gift to a public entity. They will, however, contribute to a non-profit, tax-exempt private organization: a library foundation.

- Independent 501(c)(3) nonprofit entity.
- Specializes in large-scale fundraising, grants, and planned giving.
- Benefits include:
  - Grant eligibility
  - Tax-deductible donations
  - Ability to accept diverse gifts (cash, stocks, real estate)
  - Endowments and investment flexibility

## The Benefits of a Foundation:

**Grant Eligibility** – Foundations have the advantage of being eligible for grants for which public libraries may not qualify. Most grantors require that recipients be qualified 501(c)(3) nonprofit organizations. Also, many major grantors have a policy against funding tax-supported institutions but will provide grants to foundations.

**Sponsorships and Partnerships** – Foundations may secure funding or other resources from companies or other organizations whose missions align with the library's mission.

**Planned Giving Opportunities** – Planned giving is a way for donors to make gifts to an organization and receive financial and tax benefits. There are many options including Charitable Gift Annuities, Deferred Gift Annuities, Pooled Income Funds, Charitable Remainder Trusts, Charitable Lead Trusts, and the most common, Bequests. Retirement assets (including IRAs, annuities, pension plans, etc.) make a wonderful gift, because they pass tax-free to your library foundation.

**Cash, Stocks, Real Estate, and Life Insurance** – Foundations can accept gifts for restricted and unrestricted purposes, providing donors a tax exemption (to extent qualified by law).

**Endowments** – Gifts to create endowed funds are invested and only the income is spent on library needs. Endowments may be restricted by the donor, or available for spending on programs or other uses as needed.

**Investment Opportunities** – Foundations have the flexibility to invest their funds to maximize the benefit for the foundation and, eventually, the library. Investment options available to public agencies are usually much more restrictive.

**Community Support and Confidence** – When people give to a foundation, they expect that their gifts will be used as intended. Gifts may be restricted. For example, specified uses may include collections, branches, and reading programs. Of course, it is important to specify in the Foundation's giving policy that the library board has the legal authority to accept gifts that meet the library's mission and that gifts outside the scope of that mission may not be accepted.

## Do we need two separate groups?

Foundations and Friends of the Library groups can happily co-exist and significantly leverage community support. In some communities, these groups have merged in order to operate more efficiently and to reduce confusion for the public. If two separate groups already exist in your community, a merger can be a complicated financial and legal task and so it would be wise to consult someone with this experience before making a commitment.

If your library does not have two separate groups, then the existing or emerging group should discuss its mission, the various activities that the group wants to carry out to meet that mission, and the leadership necessary to lead these efforts. For example, a hybrid Friends and Foundation may decide to both coordinate a book sale and organize a capital campaign fundraiser, and while the overall mission of supporting the library remains the same, these efforts require board members and volunteers with different skill sets.

Aspect	Friends of the Library	Library Foundation	Hybrid Model
<b>Primary Focus</b>	Volunteer-driven support, small-scale fundraising	Large-scale fundraising, grants, planned giving	Combines both: book sales + capital campaigns
<b>Structure</b>	Informal or nonprofit	Formal nonprofit (501(c)(3))	Nonprofit with mixed activities
<b>Typical Activities</b>	Book sales, program support, community outreach	Major gifts, endowments, donor drives, capital projects	Both book sales and major fundraising efforts
<b>Skill Requirements</b>	Event planning, community engagement	Financial management, donor relations, legal compliance	Diverse skills: event planning + fundraising strategy
<b>When to Merge?</b>	If efficiency and clarity are priorities	If resources allow for legal/financial complexity	Ideal when mission includes both small and large initiatives
<b>Considerations</b>	Easier to start, less legal complexity	Requires legal setup, private funds for filing fees	Requires clear mission and leadership alignment

## Organization

---

The size and organization of the library support group board will vary depending on the needs and resources in the community. The key is to attract, recruit, and involve dedicated individuals in the community who will raise funds and visibility on behalf of the group.

## Roles and Responsibilities

### Library Director

The Library Director's role in relation to the Friends or Foundation is to consult with those groups when appropriate for implementing the strategic plan.

[Montana Code Annotated 2-2-101 through 2-2-105](#) covers the Code of Ethics for public officers and employees. Library staff are public employees and therefore must avoid using their work time for advocacy or fundraising work. With this in mind, the Library Director may participate in support group board meetings as a library ex officio (non-voting) member or liaison in order to provide information about the library.

Finally, the Library Director should keep both the library board and library support groups aware of local, state, and federal laws, funding changes, and other issues that may impact the library.

### Library Board

The library board may also send a trustee to attend Foundations or Friends groups in an ex officio capacity. This can be beneficial to help share information about the library board's planning and priorities. That is usually specified in the group's bylaws.

**Avoid Conflict of Interest!** If a role on the support group board would be more along the lines of general fundraising and more directly advocating for the library, then there is a greater risk of conflict of interest. In general, library board trustees should avoid concurrently serving on a library advocacy or fundraising board. As the Code of Ethics also applies to library boards, trustees are expected to disclose conflicts of interest and to abstain from voting or participating when conflicts of interest arise. This could perhaps look like the foundation wanting to proceed with a project that is at odds with the library board's priorities.

One risk could be public perception, so if a trustee agreed to serve on two boards, they would want to be very clear about when they are acting as a trustee as opposed to serving as a support group member.

### Friends or Foundation Board

The library support group board should appoint someone to serve as a liaison to the library board in order to maintain communication between the two groups and to keep in alignment with the library's strategic planning and priorities.

Friends and Foundation board members can communicate the value of the library to local decision makers and influencers, state legislators, and the media.

## Establishing a Friends Group

---

- Develop an executive group of Friends members who will be doing most of the administrative work and planning for activities.
- Develop a written agreement between the Friends and the library board which defines the roles and authority for each group.
- Develop by laws.
- [Establish 501\(c\)\(3\) status](#)
  - If the group has access to someone who can provide legal assistance, that would be helpful.
  - First, the group will need to apply for an Employer Identification Number (EIN) - see [IRS Form SS-4](#).
  - Then they will need to file a 1023 form, probably the [1023-EZ](#) (which is for smaller organizations).
  - A couple of other forms are optional if the group wants to identify a Power of Attorney or Tax Information Authorization. Those are 2848 and 8821, respectively and are links on page 10 of the 501(c)(3) document.
- Establish dues structure, if applicable.



## Establishing a Foundation

---

Similar to establishing a Friends group, a few basic legal steps need to take place:

- Select a Board of Directors and officers
- Prepare Articles of Incorporation and By-Laws
- Draft a written agreement between the Foundation and the Library Board (see [“Memorandum of Understanding: Questions to Consider,”](#) at the end of this document).
- [Apply for tax-exempt status](#) with the Internal Revenue Service
  - [Establish 501\(c\)\(3\) status.](#)
    - If the group has access to someone who can provide legal assistance and/or an accountant, that would be helpful.
  - First, the group will need to apply for an Employer Identification Number (EIN) - see [IRS Form SS-4](#).
  - Then they will need to file a 1023 form, probably the [1023-EZ](#) (which is for smaller organizations).
  - A couple of other forms are optional if the group wants to identify a Power of Attorney or Tax Information Authorization. Those are 2848 and 8821, respectively and are links on page 10 of the 501(c)(3) document.

Some private funding or fundraising will be necessary to cover legal fees and document filing fees.

**Public funds may not be used to organize and establish a foundation.**

## General Steps to Incorporating a Nonprofit Organization

---

This list from the Montana Nonprofit Association is not comprehensive, but it does provide a general overview and resource links that will aid you in your group's effort to become a 501(c)(3) charitable organization in Montana.

See the [Montana Nonprofit Association](#) website for more information.

## Meeting with the Support Group Board and Filing with the State

- Choose a name for the organization.
- Meet with your potential board of directors (at least three individuals) to develop your [Articles of Incorporation](#) and [bylaws](#)
  - We [recommend meeting with an attorney to develop or review these](#).
  - And here is a [helpful webinar](#) on how to adopt bylaws.
- Check name availability by visiting the [US Department of Patents and Trademarks](#) as well as the [Montana Secretary of State's Office Business Entity Search](#).
- [Create an account](#) With the Montana Secretary of State's office and [file your state Articles of Incorporation](#). For this you will need:
  - Entity details including corporation type and intended IRS filing status (c3 or other nonprofit entity)
  - A copy of the IRS required language to upload when prompted if you choose to file as a (c)(3) entity ([Example here](#))
  - A registered agent with a physical mailing address who can be a point of contact for the organization (often a member of the board or you can choose from the list provided)
  - At least one named incorporator (can also be a member of your board)
  - At least three board members
  - At least three officers: President/Chair; Treasurer; Secretary (*If needed one person can hold both treasurer and secretary roles – list them twice*)

## Federal Filing with the IRS

- Apply for a Federal Tax ID or EIN – [here is the IRS link to apply](#).
- Next, you will want to apply for federal tax exemptions. Register for an account on [Pay.gov](#).
  - If you anticipate under \$50,000 in revenue [you can file a 1023-EZ](#) (\$275, 90+ day processing time)
    - [1023-EZ Worksheet](#)
  - If you believe you will have over \$50,000 in revenue or otherwise do not qualify for the 1023-EZ, you can file a [1023](#) (\$600, 6+ months processing time)
    - [Instructions here](#)

## Additional Filings for Property Tax Exemption, Withholding Tax

If your nonprofit owns property, you can [file for property tax exemption in Montana](#).

If your nonprofit will have employees, you'll need to register for the Montana withholding tax with the Montana Department of Revenue. Find out more on how to submit a [Montana Department of Revenue Business Registration](#).

## Opening a Bank Account

You will also want to open a bank account for your nonprofit. To open a bank account for your Montana nonprofit, you will need to bring the following items with you to the bank:

1. A copy of your Montana nonprofit articles of incorporation
2. A copy of your nonprofit's bylaws
3. Your Montana nonprofit's EIN

The Internal Revenue Service (IRS) is the Federal agency charged with overseeing nonprofit organizations recognized under Internal Revenue Code 501(a), including 501(c)(3) organizations which are generally referred to as charitable organizations. The IRS has a webpage that it maintains to help you as you work through the details of starting a 501(c)(3) organization. [Visit the IRS site](#).

## Additional resources:

The IRS offers a helpful [Guide to Starting a 501c3](#). As well as an [IRS 501c3 Help Page](#).

## Reporting Requirements

### Annual Filing

- Annual Report with MT Secretary of State: You [may do that here.](#)
- W-3 to State and IRS
- Form IRS 990
  - Annual gross receipts over \$200,000 or assets greater than \$500,000: [990](#)
  - Annual gross receipts under \$200,000 but above \$50,000: [990 EZ](#)
  - Annual gross receipts under \$50,000: [990 Postcard](#)
- Properly acknowledge donors for receipt of donations according to IRS rules
- Some organizations (*recommended for organizations with annual total revenues over \$500,000*) will need to hire a CPA to perform an annual Audit or Financial Review

### Quarterly Filing

- Quarterly Payroll Tax reports – state and federal
- State Work Comp payments

### Monthly Filing

- State Unemployment Insurance payments

## Managing Conflict

---

Typical problems between library support groups and the library include:

- Poor communication between the support group board and the library board or the support group board and the library director
- Lack of representation on either board
- Disagreement over library policy, strategy, or funding priorities
- Support group lacks organizational mission, or mission does not align with the library's mission
- Support group becoming territorial over fundraising events and funds
- Support group does not have enough members to cover all areas of responsibility

When problems arise, it's time for a conversation. First, determine whether this is a full board issue or if this is an issue with only one member. If it's the latter, then a private conversation between that member and a trusted board liaison may be more appropriate. If the individual member cannot agree with the library's priorities or the support group's priorities, then the member should be encouraged to leave the group until a time when they feel comfortable with supporting the library's priorities. The support group should remember that the library board is legally responsible for the library and have the final say on the library's strategic priorities.

If it's the full Friends or Foundation board that disagrees with the library, then a facilitated group conversation between the two boards should be scheduled. These questions may be helpful to establish common ground:

- What is the mission that the Friends/Foundation and the library share?
- How can the Friends/Foundation help support the library's strategic plan priorities?
- What obstacles or concerns does the Friends/Foundation board have pertaining to these priorities?
- What concerns does the library board have?
- What ideas do we have for working together more effectively?
- If the Friends/Foundation will not commit to supporting the library's strategic plan priorities, what should happen next? Should the group disband?
- If the Friends/Foundation will commit, does a memorandum of understanding (MOU) need to be created or updated to help keep the groups on track?
  - Next steps:
    - The Friends/Foundation will...
    - The library board will...

## Reviving a Dormant Support Group

---

Staying active and organized can be a challenge for any group. Here are some suggestions to try if your library's support group has become inactive:

- If any current members are still around, encourage them to invite new members to join. One of the first things to address at the next meeting would be to reaffirm the group's mission in supporting the library.
- Keep meetings relatively short, purposeful, and with a consistent, regular meeting day and time to the extent possible.
  - Find out what time of day works best for most people who are interested in participating.
  - Consider meeting once a month even when the agenda is light.
  - Send out reminder emails or phone calls about upcoming meetings, with an agenda if possible.
- Some people may not be able to make monthly meetings but still want to help out with special events, such as a book sale or fundraiser dinner. Keep a list of special events volunteers and encourage their participation.
- Make sure the group is welcoming and has some fun!
- Try to allow members to help with tasks that they enjoy doing.
- Clearly communicate group goals and expectations. How much time should people realistically be asked to give the group each month, including meetings?
- The group should take some time for succession planning.
  - What do future members need to know about the group's bookkeeping, administration, event coordination, community contacts?
  - Where should this information be stored?
- Express appreciation for people's volunteer work on a regular basis. For individual members this could be a simple "thank you for your help," or a handwritten card following a big event.
- If the group has funded something for the library, make sure this is acknowledged either verbally (such as at an event that the group is sponsoring) or with signage. For example, "Children's Area Play Features Provided by the Friends of the Library."

## Memorandum of Understanding: Questions to Consider

---

1. Is this MOU outlining a time-bound, specific agreement (as in for a special project) or an ongoing relationship?
2. What are the library board's responsibilities in this agreement?
3. What are the library support group's responsibilities in this agreement?
4. What is in scope for this agreement? What is out of scope?
5. What mutual expectations should be documented in this agreement?
6. When should the agreement be revisited (if for an ongoing relationship)?

Once the boards of both the library support group and the library itself have agreed to the terms, the boards should vote to adopt the MOU.

The Library Board Chair and the library support group chair should sign and date the MOU once the terms have been agreed upon.