

Rules and Regulations Related to Fundraising by Master Gardeners

There are multiple ways to generate revenue for Master Gardener programs, and there are specific rules and laws that govern how funds can be deposited and disbursed. This document explains what MG program coordinators, volunteers, and foundation representatives need to know to ensure that federal and Washington State regulations are followed when volunteers raise money or charge fees for program support.

Often donors assume that their donations to Master Gardeners are tax-exempt. However, specific legal requirements must be in place for this to be true. Following these regulations will ensure that donors' gifts are tax deductible and that they are properly stewarded.

Types of fundraising and revenue generation

- Annual plant sales, raffles or auctions
- Fees for services such as classes, workshops, tours, etc
- Sales of books, publications, and program related products such as compost bins, at Master Gardener activities
- Acceptance of gifts and donations to the state or local MG program

Master Gardener Volunteers may raise money for program support if they follow approved methods described here when accepting, depositing and using funds. In no case should money be deposited into an individual's personal banking account.

Proper Handling of Funds Raised to Support Master Gardener Activities

1. Master Gardener associations are established to financially support the Master Gardener program within each county or statewide. These associations are independent organizations (not part of WSU) that operate under memoranda of agreement (MOA) with Washington State University Extension. Fundraising activities of these associations may include receipt of cash or in-kind donations. The following is a summary of the different categories of current Master Gardener associations in Washington State. Each has restrictions as to how or if it can receive tax-exempt donations.

a. **Non-Profit Corporation** – This simply means that the association is registered with the Secretary of State as a non-profit. Associations that are non-profit corporations can raise funds in support of the Master Gardener program, manage funds through a bank account held by the association, and distribute funding for appropriate purposes,

however the association may not solicit or receive tax-exempt donations unless it is a Charter Chapter of the Master Gardener Foundation of Washington State (see b) or an Independent 501 (c) (3) Charitable Organization or Foundation (see c). If an association accepts tax-exempt donations in a manner other than those listed below, then it has most likely violated federal laws and/or regulations.

b. Charter Chapters (also known as Dependent Chapters) of the Master Gardener Foundation of Washington State (MGFWS) – Associations that are “charter or dependent chapters” of the MG Foundation of Washington State can receive tax-exempt gifts under the MGFWS’s 501(c)(3) status. These chapters must be approved by the MGFWS every three years in accordance with Article III, Section 3 of the by-laws of the MGFWS. Checks should be made payable to the MGFWS and deposited into an account held by the MGFWS. Fund deposits and disbursements are handled by the MGFWS. Contact the MGFWS at <http://mastergardener.wsu.edu/mgfws/index.html> for procedures.

c. Independent 501 (c) (3) Charitable Organization/Foundation – Any Master Gardener association that has been designated by the Internal Revenue Service as a 501 (c)(3) charitable organization or foundation can receive funds and tax-exempt gifts and deposit these into an account held by the association. Checks must be made payable to the association and not to WSU. Note that establishing this type of organization has the highest cost and administrative burden. There must be a Board of Directors, by-laws and articles of incorporation, and significant annual reporting to the IRS.

- 2. WSU Foundation**—Each county with a MG program has an account located at the WSU Foundation called the “XYZ” County MG Development Fund. (As of 2008, some counties are using them and some are not.) All Master Gardener Volunteers can raise money and deposit funds or tax exempt gifts into their County’s MG Development Fund. Checks must be made out to the WSU Foundation and noted for support of the local County Extension MG Program. No independent association or foundation is necessary to administer these accounts. Work with your WSU Extension Director’s office for using these accounts (informally referred to as 17A accounts.)

Rules for Receipt of Tax Deductible Donations

- 1.** No gift receipts can be issued by any Master Gardener Association for tax purposes unless the funds will be processed through the local registered 501 (c)(3) organization, the Master Gardener Foundation of Washington State, or through the WSU Foundation to the appropriate county fund. It is further recommended that the association print this on receipts issued to the donor. All donations should be followed by issuance of a receipt.
- 2.** Funds must be deposited appropriately. Funds should NEVER be deposited into an account held by an individual, by the local Extension Office into an account held by an organization other than the county Master Gardener association. If donations are made to a county Master Gardener association, the association must be a registered Washington non-profit corporation. And as mentioned previously, if the gift is to be tax deductible, the gift must be deposited into an account held by a registered 501(c)(3) organization. This can be a county Master Gardener association (if it is appropriately registered as a 501(c)(3)), the Master Gardener Foundation of Washington State (if the local chapter is a charter/dependent chapter of the MGFWS), or the WSU Foundation with a notation to support the local County MG Program .