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Alpha Kappa Alpha  
SORORITY, INCORPORATED®

5656 S. Stony Island Avenue Chicago, Illinois 60637 773-684-1282



## A MESSAGE FROM THE SUPREME BASILEUS

Dear Sorors,

The “*Exemplifying Excellence Through Sustainable Service*” Administration recognized the importance of providing compliance guidelines and procedures for chapters working with foundations. We are pleased to present these resource materials for chapters that operate in conjunction with foundations to assist in understanding and complying with certain guidelines.

This is an updated and complete restatement of previous versions of the recommended compliance guidelines and is part of Alpha Kappa Alpha’s life-long learning mission as we exemplify *Excellence through Sustainable Service*. However, this is not an exhaustive or comprehensive guide on these matters. All Chapters should seek further guidance from IRS materials and other tax professionals.

We thank the International Foundations Committee members under the leadership of Soror Berna D. Greer, CPA and former Supreme Tamiouchos for their time, talent and resources devoted to this process. The committee spent numerous hours researching the laws governing not-for-profit entities. They reviewed various IRS publications, the IRS.gov website, the Internal Revenue Code and Treasury regulations to further enhance and clarify their knowledge regarding the tax laws that govern non-profits.

Sisterly,

Soror Glenda Glover  
Supreme Basileus



*Alpha Kappa Alpha*  
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## OFFICE OF THE INTERNATIONAL FOUNDATIONS CHAIRMAN

**Soror Berna D. Greer**

16435 Canario Drive • Houston, TX 77083 • [bgreer8685@aol.com](mailto:bgreer8685@aol.com)

Dear Sorors,

The “*Exemplifying Excellence Through Sustainable Service*” Administration under the leadership of Supreme Basileus Glenda Glover established the International Foundations Committee. This was done to provide general guidance and to serve as a non-exhaustive resource for chapters working with foundations due to the numerous questions and concerns raised by chapters and foundations.

Chapters within Alpha Kappa Alpha Sorority have worked with non-profit 501(c)(3) organizations (called foundations) in the form of public charities to enhance their ability to provide quality programs of service in the communities they serve. These organizations must meet IRS requirements as well as local and state regulations. In addition to government regulations, it became necessary for the Sorority to provide guidelines and compliance requirements as they relate to these entities working with chapters.

Although a chapter and a respective foundation have in common that they are organized under 501(c) section of the Internal Revenue Code, which governs non-profit and tax-exempt organizations, there are numerous differences between the two types of organizations. In this manual, the International Foundations Committee discusses those organizational and structural differences between the 501(c)(3) foundation and the 501(c)(7) chapter, provides some best practice suggestions in collaborative workings between the two in support of national program targets, and provides answers to some frequently asked questions. This manual incorporates previous versions of Compliance Guidelines for chapters working with foundations.

**This is not an all-inclusive manual as state and federal laws and practices on working with a foundation vary.** Chapters that have worked with foundations and/or not-for-profit entities must seek the advice of a local tax accountant and/or attorney to ensure compliance with federal and their respective state laws, policies, and procedures regarding non-profit organizations. This manual supersedes all prior directives and written materials on these subject matters.

Sisterly,

*Berna Greer*

Soror Berna D. Greer, CPA, Chairman International Foundations Committee

## Introduction

### Purpose / Mission

The purpose of this document is to provide general guidance for chapters that operate closely with 501(c)(3) private and public charities (referred to herein as “foundations”) or those that have a relationship with a foundation. Since foundations are established as separate legal entities from the chapter, the International Foundations Committee was established to serve as a resource for chapters and the separate foundations.

Consistent with prior directives of Alpha Kappa Alpha, and excluding limited exceptions, all old and new foundations/not-for-profit entities, or other entities formed for the purpose of acquiring real estate or property, should not reference or include the name of the chapter or Alpha Kappa Alpha Sorority.

Compliance guidelines, including a check-sheet known as Year-end Report # 11, was developed in the past to assist chapters that worked with foundations. This check-sheet is required to be completed by chapters working with foundations and is submitted annually with the year-end financial reports.

Due to the increased interactions between chapters and foundations over time, numerous questions regarding best practices in connection with such foundations have arisen. Accordingly, the International Foundations Committee under the leadership of Supreme Basileus Glenda Glover, “*Exemplifying Excellence Through Sustainable Service*” Administration (2018-2022) developed this manual, which supersedes all prior written materials on these matters.

Although a chapter and a foundation are both organized under the 501(c) section of the Internal Revenue Code, which governs non-profit and tax-exempt organizations, there are **numerous differences** between the two organizations. Accordingly, the purpose of this manual is to discuss those organizational and structural differences between the 501(c)(3) foundation and the 501(c)(7) chapter, provide some best practice suggestions in collaborative workings between the two in support of national program targets, and provide answers to some frequently asked questions. **Additionally, this manual replaces the November 2016 Revision of the Compliance Guidelines and all other prior written materials on these matters.**

*This is not an all-inclusive manual and should not be used in place of outside tax counsel or the Internal Revenue Code itself. Also, state laws and practices on operating a foundation/not-for-profit entity vary. Alpha Kappa Alpha Sorority exists independently from those foundations formed by local Chapters, and the Sorority does not accept any legal responsibility, obligations, or governance with respect to those foundations. Chapters that work closely with local foundations and/or other not-for-profit entities must seek the advice of a local tax accountant and/or attorney to ensure compliance with federal and their respective state laws, policies, and procedures regarding non-profit organizations.*

## ***What is a 501(c)(7) Entity?***

The 501(c) section of the Internal Revenue Code governs the non-profit, tax-exempt forms of organizations. This manual will discuss only two classifications of the 501(c) organizations:

- 501(c)(7) Social Clubs in which Alpha Kappa Alpha Sorority is classified; and
- 501(c)(3) Foundations (*i.e.*, public charities)

These two types of organizations are different, but have in common that they are considered not-for-profit entities. Each has its own form of exempt income that is not taxable. Moreover, each is required to file an information tax return, Form 990, and other schedules as needed with the IRS.

In general, organizations which fall under the Internal Revenue Code 501(c)(7) are Social and Recreation Clubs. Alpha Kappa Alpha Sorority and the chapters chartered fall into this category. Although Alpha Kappa Alpha Sorority is incorporated as a legal entity, the chapters chartered are not incorporated. Rather, they are considered “affiliates” under the umbrella of Alpha Kappa Alpha Sorority. For tax purposes, the chapters are included in the group tax return filed by Alpha Kappa Alpha Sorority.

### ***Characteristics of a 501(c)(7)***

Alpha Kappa Alpha Sorority and its chapters chartered are classified as 501(c)(7) organizations. A 501(c)(7) entity is organized for pleasure, recreation, and social activities under this section of the Internal Revenue Code and does not pay income taxes on its exempt-function income. The exempt-function income is described as membership fees, dues, and assessments. However, chapter members do not qualify for a tax deduction for the dues or contributions they pay to the 501(c)(7) organization. Investment income, monies, or funds received from nonmembers are considered unrelated business income. Unrelated business income is taxable if the total amount received is in excess of \$1,000. There are some restrictions on the amount of unrelated business income that a 501(c)(7) can receive in one year. Since it does not pay income taxes on its exempt-function income, it does have to submit to the IRS a form 990 annually. The filing requirements for Form 990 will be discussed in a later chapter.

Alpha Kappa Alpha Sorority files two Forms 990 with the IRS. The first is a tax return that covers the activities of the corporate office and the 10 regions. The second is a group tax return which includes the chapters it has chartered. Therefore, it is imperative that chapters submit Year-end Report #2 by February 1 of the following year to allow the Sorority to include a chapter’s information in a group tax return filed with the IRS.

## ***What is a 501(c)(3) Entity?***

Under the Internal Revenue Code, a section 501(c)(3) is a separate type of legal entity that is organized and operates exclusively for its “exempt purpose,” which must fall into one of several categories, that are primarily charitable, religious, or scientific purposes.<sup>1</sup> A 501(c)(3) organization **cannot**, however, be organized or operated **for the benefit of private interests (including Alpha Kappa Sorority or its chapters)**, or a few persons, and no part of its income can serve to benefit any private interests, its organizers, or persons controlling, directly or indirectly, the organization. Once the 501(c)(3) organization has completed the proper paperwork for formation, including the creation of its stated tax-exempt purpose as described below, it applies for and receives a determination letter from the IRS approving its tax exemption and classifying it as a foundation. There are numerous tax benefits for an organization to receive classification as a 501(c)(3) entity. One important benefit is that donors receive a tax deduction to the highest extent allowed by law for contributions to the foundation in furtherance of its tax-exempt purpose. Another benefit is the foundation does not pay income taxes on monies received in accordance with its tax-exempt purpose. However, in exchange for those additional tax benefits, 501(c)(3) entities must follow strict guidelines and operate solely for the benefit of its stated tax-exempt purpose.

## ***Characteristics of a 501(c)(3)***

The three key components for a foundation organization to be tax-exempt are:

1. It must be Organized, and
2. Operated for,
3. Its Exempt Purpose

### **CHARACTERISTIC NO. 1 - ORGANIZED TEST:**

The first test for a foundation is that it must be organized under state law as either a corporation, trust, or unincorporated association. Although tax rules permit certain 501(c)(3) organizations to exist as *unincorporated associations*, Alpha Kappa Alpha Sorority requests that chapters interact only with foundations that are fully incorporated, properly organized under applicable state law, and have filed for tax-exempt status with the IRS. A legal entity such as a corporation, trust, or unincorporated association assures perpetuity, meaning that the entity can have a continuous life. To be organized as such, the foundation must create and file organizing documents with the applicable state authorities. These documents are the Articles of Incorporation for a corporation, trust documents for a trust, or Articles of Association if an unincorporated association is formed – and each serve as the overall guide and written purpose or objective for the organization.

It is important that the organizing documents: i) limit and specify the purpose of the foundation, ii) do not allow the foundation to participate in activities that do not further the tax-exempt purpose of the foundation, and iii) state that the foundation dedicates its assets to the exempt

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<sup>1</sup>Throughout this document, the terms “exempt purpose” and “tax-exempt purpose” are used interchangeably and have the same meaning.

purpose of the foundation. Conversely, chapters chartered by Alpha Kappa Alpha Sorority are not legal entities.

<b>Organized Summary:</b>
<ul style="list-style-type: none"> <li>• Foundation forms a legal entity, organized under applicable state law as either:             <ul style="list-style-type: none"> <li>○ Corporation</li> <li>○ Trust</li> <li>○ Unincorporated</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Organizing documents are filed: including Articles of Incorporation, Trust Documents, or Articles of Associations, which must:             <ul style="list-style-type: none"> <li>○ Limit its purpose</li> <li>○ Not permit activities that do not further its exempt purpose</li> <li>○ Permanently dedicate its assets to an exempt purpose</li> </ul> </li> </ul>

**CHARACTERISTIC NO. 2 - OPERATIONS TEST:**

The Operations test simply considers how the foundation conducts its business activities, and looks to ensure that the foundation does not violate any rules. For instance, a foundation established to help the homeless could operate by preparing and serving meals to the homeless. Foundations cannot be formed for participation in political campaigns for local, state, or federal office, so any lobbying activities must be only a small part of its total activities. For all foundations, however, private benefit and private inurement is prohibited. In other words, a foundation cannot operate for the benefit of private interests or interests that are not in line with the foundation’s charitable purpose, and foundations should never provide benefits to the foundation’s own organizers, officers, or shareholders (*i.e.*, the individuals operating a foundation should never distribute charitable benefits to themselves (excluding fair market compensation, such as wages), and should avoid any manner of “self-dealing” whether direct, or indirect). The private benefit test is very important to ensure that the foundation maintains its tax-exempt status, because violations are strictly enforced. The foundation cannot operate for the sole or substantial benefit of its organizers and officers or related persons and it is prohibited from operating a trade or business that is unrelated to its exempt purpose.

<b>Operations Summary:</b>
<ul style="list-style-type: none"> <li>• Must absolutely refrain from participating in political campaigns of candidates for local, state, or federal office</li> <li>• Must restrict lobbying activities (lobbying activities must be limited to an insubstantial part of its total activities, and foundations that desire to lobby should consult with a tax advisor)</li> <li>• Must ensure that its earnings do not inure to the benefit of any private shareholder, director, or related individuals - in other words, it should benefit the entire community, or its entire charitable class, and not just the select targets of its founders, shareholders, etc.</li> </ul>

- Must not operate for the benefit of private interests such as those who organized or operate the foundation
- Must not operate for the primary purpose of conducting a trade or business unrelated to its exempt purpose
- Must not have purposes or activities that are illegal or violate fundamental public policy

**CHARACTERISTIC NO. 3 - EXEMPT PURPOSES TEST:**

Perhaps the most important characteristic of a 501(c)(3) is its tax-exempt purpose. The foundation must be organized for one or more of eight *specific* tax-exempt purposes. These tax-exempt purposes have been pre-determined by the IRS, and are the reason the foundation does not pay income taxes on monies received in furtherance of its tax-exempt purpose. If a foundation served a different or private purpose (such as a private social or academic organization, including Alpha Kappa Alpha Sorority), then it would not be entitled to receive its 501(c)(3) tax status – which is the greatest preferential tax treatment offered in the United States, and is therefore viewed as a privilege, and **not** a right, according to the IRS. The specific tax-exempt purposes required by the IRS for 501(c)(3) tax status include:

**Exempt Purpose Summary:**

Must be organized for one or more of the following tax-exempt purposes as described below:

- Religious
- Charitable
- Educational
- Scientific
- Literary
- Testing for public safety
- Fostering national or international amateur sports competition
- The prevention of cruelty to children or animals

If a 501(c)(3) is formed, for an improper purpose, or advances an improper purpose, then that foundation could create significant risk for itself *and* the organizations and individuals with which it interacts. An example of a potentially improper purpose would be if a foundation’s bylaws state that the foundation was formed to “support the programs of Alpha Kappa Alpha Sorority,” or language to that effect. The Sorority encourages each chapter to closely review the bylaws, mission statement, and exempt purpose of the foundation with which the chapter operates to ensure that the foundation’s bylaws and mission statement are not improper. As part of the annual report which each chapter submits to the Sorority’s national corporate office, the chapter will be required to certify that such a review has been conducted, for all foundations with which the chapter interacts, by the chapter’s independent tax advisers in the last 24 months preceding the report date.



### ***Income Sources of a 501(c)(3)***

A Foundation does not pay income taxes on funds received in the furtherance of its tax-exempt purpose. Various examples of income that a foundation may receive include the following:

- Contributions/Donations – Generally the full amount is tax deductible by the contributor; however, if the contributor receives a benefit, the contribution is tax deductible for the excess amount (*e.g.* a donor contributes \$100 to the organization by purchasing a ticket to an event that includes a meal that cost \$40. The donor can only deduct \$60, which is the contribution less the benefit (meal) received)
- Fundraisers
- Membership dues (all questions regarding deductibility must be determined on a case-by-case basis with independent tax counsel. For more information about mandatory donations, see the Section titled “Assessments” for further information about mandatory foundation donations or reallocation of chapter membership dues)
- Grants from other organizations
- Investment Income – Earnings from funds invested by the foundation that produce interest, dividends, or capital gains generally are not taxable to the foundation. *However, for the 501(c)(7) entity, investment income is considered unrelated business income and taxable income to it*
- Business Income –Although foundations are allowed to have traditional business income (*e.g.*, a charity that owns a banquet hall that generates rental income when not in use), income must be reported and taxed and all activities and funds generated must ultimately still serve the foundation’s tax-exempt purpose.

## ***Public Versus Private Characteristics***

Every organization that qualifies as tax-exempt under 501(c)(3) is further classified as either a public charity or a private foundation. The primary distinction is based on the organization's source of support (*e.g.*, if the foundation is funded primarily by only a few sources it is likely a private foundation and, if the foundation receives its funding from the public, donations, and grants, it is likely a public charity/foundation).

### **PUBLIC CHARITIES**

Most foundations interacting with chapters of Alpha Kappa Alpha Sorority are public charities. Below are some characteristics of Public Charities:

- Have a broad base of support from donations or grants
- Receive more than 1/3 of their support from contributions, membership fees, and gross receipts from activities related to their exempt function and less than 1/3 from gross investment income
- Support other public charities
- Receive a substantial part of their support in the form of contributions from publicly supported organizations, governmental units, and/ or the general public

### **PRIVATE FOUNDATION**

Although most foundations are public charities, there is at least one type of foundation that is classified as a private foundation (which works with Alpha Kappa Alpha Sorority). The characteristics of a Private Foundation are:

- Very limited sources of support (*e.g.*, a wealthy family's funds)
- Deductibility of contributions is more limited for donors
- Can be subject to excise tax if contributions are not distributed within a specified period

## ***FILING REQUIREMENTS***

Most non-profit or tax-exempt organizations are required to file annual information tax returns - either form 990, 990-EZ or 990-N depending on the amount of gross receipts and assets of the organization. Additionally, if the foundation has \$1,000 or more of gross income from unrelated business activities, Form 990-T is also required. The distinction between Forms 990, 990-EZ and 990-N is as follows:

- Gross receipts of greater than or equal to \$200,000 or total assets of greater than or equal to \$500,000 - File 990
- Gross receipts less than \$200,000 or total assets less than \$500,000 - File 990-EZ
- Gross receipts less than or equal to \$50,000 - File 990-N

The filing date for the Forms 990, 990-EZ or 990-T is the 15<sup>th</sup> day of the fifth month after the end of the organization's tax year. The due date can be extended for six months by filing Form 8868, Application for Automatic Extension of Time to File an Exempt Organization Return, before the due date of the return. Additionally, an organization cannot request an extension for filing the form 990-N; however, there is no penalty for late filing.

## CHAPTER VS. FOUNDATION

In summary, a chapter is a 501(c)(7) entity organized for pleasure, recreational, or social activities. Income taxes are not paid on membership-related activities. However, monies received from nonmembers, fundraising income, grants, etc. are considered unrelated business income and therefore taxable.

On the other hand, a 501(c)(3) foundation is a separate legal entity, organized and operated for one or more tax-exempt purposes, such as religious, educational, charitable, scientific, etc., and is usually a public charity/foundation, as opposed to a private foundation. Its major purpose is to provide philanthropic service to an entire community or proper charitable class. As such, it is awarded greater tax-exempt status when it engages in activities that further its exempt purpose but is also more regimented and more strictly scrutinized.

The chart below indicates some general differences between a chapter and foundation. This is not an all-inclusive list but is provided for illustration purposes:

<b>FOUNDATION AND CHAPTER DIFFERENCES</b>	
<b>Foundation</b>	<b>Chapter</b>
❖ Non-profit 501 (c)(3)	❖ Non-profit 501 (c)(7)
❖ Authorized according to the rules of the IRS and incorporated/organized at the State level	❖ Authorized by Alpha Kappa Alpha Sorority
❖ Incorporated; separate legal entity organized for a specific charitable purpose, (ex. provides scholarships to community)	❖ Not incorporated; can operate for the benefit of its own organizational interests
❖ Contributions are generally tax deductible	❖ Contributions are <b>not</b> tax deductible
❖ While state law may permit membership to be open to the public, the Sorority requests that for those foundations reported by the chapter on Report # 11, the foundation board members be limited to Sorority members as long as such requirement complies with applicable state law	❖ Membership limited to members of Alpha Kappa Alpha Sorority, who become financial with a chapter
❖ Governed by a Board of Directors and Foundation's bylaws	❖ Governed by the chapter members
❖ Actions and activities of foundation must be approved by the foundation's Board of Directors and consistent with the Foundation's bylaws, and must satisfy its tax-exempt purpose	❖ Actions and activities of the Chapter must be approved by the chapter membership
❖ Meetings are determined in organizational bylaws or governance	❖ Membership meetings monthly (except summer months)

This next chart shows some of the general foundation and chapter relationships by discussing officers, fundraisers, tax filing, etc.

<b>FOUNDATION AND CHAPTER RELATIONSHIPS</b>	
<b>Foundation</b>	<b>Chapter</b>
❖ Officers – foundations have separate and distinct organizational documents, structure, and independently governed officials. Officers and directors can be entirely different from the chapter, or can overlap. Alpha Kappa Alpha Sorority does, however, request that to the extent a foundation seeks the help or assistance of, or direct interactions with Alpha Kappa Alpha Sorority, that the chapter Basileus, Program Chairman, and Tamiouchos serve on the Foundation’s Board of directors (it is important to note, however, that those individuals must still adhere to the foundation’s own separate governance)	❖ Officers – Can be different from the Foundation, but Alpha Kappa Alpha Sorority requests that the Basileus, Program Chairman, & Tamiouchos serve on any Foundation that seeks the help or assistance of, or direct interactions with, Alpha Kappa Alpha Sorority.
❖ Fundraisers conducted by the Foundation are generally tax deductible	❖ Fundraisers conducted by the Chapter are not generally tax deductible
❖ Responsible for filing Form 990	❖ Included in Sorority’s Group 990
❖ Responsible for any State Filings	❖ Sorority files state returns for chapters
❖ Must have its own separate liability insurance policy	❖ Included in Sorority’s liability insurance
❖ Has its own separate bank account, address, and resources	❖ Has its own bank account, address separate from any foundation
❖ Program Collaborations	❖ Program Collaborations
❖ Private Benefit Prohibited	❖ Private Benefit Prohibited

## ***FOUNDATION DO'S AND DON'TS***

Foundations interact and work with chapters, but do not operate or own a chapter (or vice versa). Therefore, in addition to ensuring that chapters interact with only foundations that maintain proper exempt purposes and missions, the following bullets list some examples and best practices for those chapter members interacting with foundations.

### ***DO'S:***

- **DO** apply for 501(c)(3) status from IRS as a legal entity separate and apart from the chapter
- **DO** limit and clarify the Foundation's exempt purpose with the assistance of tax counsel
- **DO** follow state law in which it is incorporated
- **DO** ensure the following are all obtained: Mission Statement, Articles of Incorporation, Bylaws/governing documents, IRS Final Letter of Determination
- **DO** follow the requirements and characteristics of a proper 501(c)(3): organized test, operated test, & exempt purpose test
- **DO** dedicate the Foundation's assets and initiatives to proper exempt purposes only
- **DO** refrain from participating in any political campaigns
- **DO** restrict lobbying activities to an insubstantial part of Foundation's total activities
- **DO** ensure that its earnings do not inure to the benefit of any private shareholder or individuals, related persons, or groups that are too narrowly tailored or targeted
- **DO** have its own Federal Employer Identification Number (EIN)
- **DO** have its own programs related to its exempt purpose only
- **DO** obtain an independent bank account, mailing address, insurance, and bonding
- **DO** have an independent Board of Directors
- **DO** ensure that its assets are used for its exempt purpose only
- **DO** collaborate with the chapter only in support of proper programs \*
- **DO** always consult with a tax attorney or tax accountant and refer to Internal Revenue Service written materials and the Internal Revenue Code – there is no substitute!
- **DO** file federal, state, and local tax returns annually
- **DO** obtain legal advice if the Foundation chooses to use grants to ensure federal & state regulations are met
- **DO** obtain a solicitation license (dependent on state requirements)
- **DO** develop a risk management plan to protect the mission, reputation, and assets
- **DO** purchase separate insurance to protect against various risks including liability
- **DO** develop a Volunteer Recruitment Process

\* **Generally:** Foundations must at all times pursue their distinct charitable purpose through programs and objectives which serve that foundation's stated charitable purpose and the foundation's intended charitable class. Although programs, targets, and initiatives may

overlap with other entities and even a chapter, a foundation must still always serve its independent charitable purpose only, and it should never support interests which are not within that charitable purpose. This is because the foundation receives public support and tax-preferred treatment – which is a privilege afforded to those organizations in exchange for their serving only the approved charitable purpose. Although foundations can sometimes support their charitable purpose by supporting *other* charitable, educational, scientific, and organizations or causes which align with the foundation’s own exempt purpose, those other initiatives must also strictly adhere to the 501(c)(3) foundation’s own charitable purpose. For example, if a foundation’s stated purpose is to increase the literacy skills of disenfranchised groups and one of the chapter’s programs is to increase literacy, the chapter and the foundation potentially may have areas where collaboration is possible. On the other hand, if a foundation’s stated exempt purpose is to increase literacy and the chapter’s program is to raise breast cancer awareness, the foundation could not support the chapter’s program since the chapter’s program is not in line with the foundation’s charitable purpose. Above all, the foundation should have a public approach and accomplish its initiatives by serving its exempt purpose and greater charitable class. Therefore, every foundation’s exempt purpose is extremely important, must be evaluated by independent tax counsel, and Alpha Kappa Alpha Sorority chapters must evaluate the exempt purpose and mission statement of every foundation for which the chapter files a year- end report #11. Also, a foundation should almost never distribute targeted benefits to related persons or organizers of the foundation, or distribute benefits to other organizations which are operated for the benefit of related persons of the foundation.

### ***DON'TS:***

- **DON'T** include the name of Alpha Kappa Alpha Sorority or the chapter in the foundation’s name, exempt purpose, or mission statement
- **DON'T** permit activities that do not further the foundation’s exempt purpose
- **DON'T** operate for the benefit of private interests such as those of the foundation’s organizers or directors \*\*
- **DON'T** distribute benefits to other organizations which serve private interests or to persons related to the foundation
- **DON'T** operate for the primary purpose of conducting a trade or business unrelated to its exempt purpose
- **DON'T** have purposes or activities that are illegal or violate fundamental public policy
- **DON'T** use its tax-exempt status to avoid paying taxes or to receive other inappropriate benefits
- **DON'T** use assets to fund chapter social events or meetings
- **DON'T** commingle foundation and chapter funds

**\*\* Generally:** A foundation must always serve its charitable purpose. Moreover, a foundation must not distribute its tax-preferred benefits to individuals or organizations outside of its charitable class, and ordinarily should not distribute benefits to related persons of the

foundation, and should never distribute benefits to its own directors or organizers (*i.e.*, “self-dealing”). In only very limited circumstances should a foundation direct benefits to related persons or organizations, because doing so could mean that a 501(c)(3) would be distributing benefits to related persons or related non-501(c)(3) organizations, and this can lead to private inurement or private benefit issues and IRS penalties or sanctions.

Although Alpha Kappa Alpha Sorority and related persons of Alpha Kappa Alpha Sorority may naturally fall within the charitable purpose and public class of a particular foundation, distributing benefits to those persons could still pose a serious risk of private inurement and private benefit if the foundation was formed and operated by persons related to Alpha Kappa Alpha Sorority. This is especially true if a foundation is not actually serving a public charitable purpose, or public charitable class – instead, that foundation may appear to be serving an *Alpha Kappa Alpha Sorority purpose*, and an *Alpha Kappa Alpha Sorority class*.

To better understand this, one could consider the following scenario: if a 501(c)(3) tax-preferred organization was formed to carry out the plans of a non-501(c)(3) organization, then this premise is potentially flawed and could lead to impermissible activities. Even more problematic, if a 501(c)(3) was formed by a non-501(c)(3) organization in order to reap tax benefits and distribute awards to related persons, which the non-501(c)(3) organization would not otherwise have, then this premise is certainly flawed and would most certainly result in impermissible activities jeopardizing both organizations.

If you or anyone knows of a foundation that was formed with a stated purpose (usually found in the Foundation’s bylaws) of serving Alpha Kappa Alpha Sorority, this foundation and its purpose should be reviewed with experienced tax counsel as soon as possible.

## **RISK MANAGEMENT**

Risk Management is important in today's society. Every organization should have a risk management plan and procedures in place to minimize risk and threats on all sides. Risk Management is the implementation of specific policies or procedures designed either to reduce the likelihood that a certain risk event will occur and/ or to reduce the potentially harmful effects of that event should it occur.

**Chapter's risk management plans do not cover and should not address a related foundation's risk.** Foundations need their own risk management plan. Below are some suggested risk management best practices for foundations:

- **Develop a risk management plan to protect your mission, reputation, and assets. Include these types of risks:**
  - Financial Risk
  - Reputational Risk
  - Operational Risk
  - Governance Risk
- **Purchase insurance to protect against various risk events**
  - Directors & Office Holders Liability
  - General Liability
  - Professional Liability Insurance
  - Cyber Liability
  - Other
    - Property (if you own a building)
    - Auto (if you own a vehicle)
    - Workman's compensation (if you have employees)
  - Bonding of Officers/Directors Handling Monies
  - Joint Activities with the Chapter in which the chapter is an additional insured
- **Develop a Volunteer Recruitment Process**
  - Interview perspective volunteers (in person or via questionnaire)
  - Take time to do reference checks (as needed)
  - Utilize a reputable third-party company to do background checks
  - Conduct volunteer training on policies, procedures, safety and handling emergency situations



## ***FUNDING SOURCES for CHAPTERS WITHOUT FOUNDATIONS***

Although this manual is designed to discuss chapter and foundation fundamentals, we know that not every chapter interacts or works with a foundation. Below are some funding sources for chapters to utilize in implementing Alpha Kappa Alpha Sorority Program Targets.

### ***Corporate Sponsorships***

One important source of chapter funding can be from corporate sponsors. All corporations have ordinary and necessary business expenses. Examples are marketing and advertising. A chapter, by partnering with the marketing or advertising department of a corporation, provides it with a valuable source – an audience of educated, trained, and influential African American women consumers. Because of its nature, the community affairs, outreach, or community development department of a corporation are also potential sponsors.

Listed below are some successful examples of corporate sponsorships.

- **Corporate Sponsorships**
  - Marketing and advertising departments
  - Community affairs, outreach or community development departments
  - **ONTRACK** program: Chrysler through its marketing budget sponsored Soror Norma Solomon White's signature program - over \$300K
  - Bank of America: Sponsored Small Business Institute and How to Become a minority vendor during Soror Carolyn House Stewart's administration - over \$300K
  - GEICO: Sorority received funds whenever a soror requested an insurance quote electronically. This was during Soror Carolyn House Stewart's and part of Soror Dorothy Buckhanan Wilson's Administration.
  - Bayway Lincoln: Local sponsor of Alpha Kappa Omega's 90<sup>th</sup> Anniversary celebration.

Other sources of chapter funding include the following.

- **Grants**
  - State Farm gave Alpha Kappa Omega a \$5000 grant for programs
- **Vendor Fees**
  - Partner with Local Vendors to offset costs of programs
- **State License Specialty Program**

It should be noted that all funds from non-members such as corporate sponsorships, grants, vendor fees, state license specialty programs, etc. are considered unrelated business income and, therefore, are taxable to the chapters and should be reported to the IRS on form 990T.

## ***FOUNDATION, CHAPTER & INTERNATIONAL COLLABORATION***

There are many ways in which a chapter and a foundation can work together (but still stay separate) on program funding. Since the foundation is a tax-exempt organization which benefits the entire community, care must be taken so that all funds raised by the foundation are properly treated, are not used for the benefit of the chapter or related persons, and are operated in a way so the monies ultimately serve proper program targets of the foundation aligned with its charitable purpose. Conversely, those monies should not just serve the targets of the Sorority if they do not also align with the foundation's own purpose, and should not serve the benefit of any related persons of either organization. As stated earlier, the net earnings of the foundation should not be used to benefit a shareholder, founder, individual, or related persons. Also, the foundation should not be used as a pass-through or shell entity -- meaning tax deductible monies that are contributed to the foundation for tax-deductible treatment should not be used by, for the benefit of, or actually passed through to the chapter (a 501(c)(7) entity).

For additional examples and a discussion of the proper funding techniques, scholarships, and initiatives, please see the Summary of Chapter and Foundation Guidance which can be found at [www.aka1908.com](http://www.aka1908.com).

## ***Real Property Acquisition/Assessments***

### **Real Estate Property**

Questions are often posed as to whether a chapter or foundation can own property and if either can fundraise from the public to purchase such property. The following clarifies and answers some of those other related questions.

Article III, Section 20 of the Constitution and Bylaws state that a chapter may incorporate to purchase property. Additionally, for all contracts in excess of \$100,000, the chapter must obtain approval from the Directorate. Historically, there was a time in which several chapters incorporated in the name of the chapter for the purpose of purchasing real estate and establishing not-for-profit entities including foundations. However, excluding extremely limited circumstances, Alpha Kappa Alpha Sorority prohibited this practice and required such chapters and foundations to remove the chapter name and/or Alpha Kappa Alpha Sorority name from the incorporated entity and/or foundation as this created certain risk and branding issues.

Because of this ruling, chapters wishing to incorporate and form legal entities are allowed to do so, but they cannot use the name of the chapter and/or Alpha Kappa Alpha Sorority in the name of those entities. Since chapters are not legal entities, they must form a legal entity such as a corporation, trust, or other structure to purchase real estate. Accordingly, some chapter members form corporations and apply for non-profit status with the state as the means to purchase real estate. However, the mission statement of that non-profit and the purchase of real estate must still align with the tax-exempt purposes of the organization, and must meet all other operational rules and parameters for a separate and distinct entity. As detailed above, the tax-exempt purposes for a 501(c)(3) entity must be for religious, charitable, educational, scientific, literary, testing for public safety, fostering national and international amateur sports competition, and the prevention of cruelty to children and animals. Therefore, the real estate must be used in furtherance of such tax-exempt purpose as stated by the foundation, and not a profit-generating enterprise or vehicle for distributing private inurement or targeted benefits to a chapter.

If a chapter-related, non-profit entity/foundation decides to raise funds for the purchase of real estate, the following should be implemented or observed prior to the start of the capital campaign:

- The non-profit entity/foundation must adhere to the solicitation laws of their respective state.
- The literature must disclose the funds are requested to purchase real estate that will be used in the furtherance of the tax-exempt purposes of the entity. The property cannot be used as a profit-generating enterprise or vehicle to distribute impermissible benefits.
- The entity must record the funds in a separate account that is restricted for the purpose of acquiring real estate. Detailed records of the donor and amount donated must also be kept as the funds cannot be used for operating or any other expenses unless approval is received from the specific donor.

- The chapter should not collaborate with the non-profit entity in the fundraising and/or capital campaign as Alpha Kappa Alpha Sorority does not seek funds from the public for the purchase of real estate. Chapters who fundraise do so for the sole purpose of executing the current national programs. Funds received by a foundation from the public are to be put back into the community and used consistent with the foundation's tax-exempt purpose, and not used for improper operations or acquiring real estate for private interests. Although owning real property is commendable, Alpha Kappa Alpha Sorority, Inc. does not require chapters to own property. Therefore, Alpha Kappa Alpha Sorority, Inc., and the chapters it has chartered does not assume any financial responsibility or liability, directly or indirectly, for the acquisition of real estate by a non-profit or a foundation formed by chapter members. All such chapter members must seek independent guidance and counsel for such endeavors.
- Since public funds are used in the acquisition of real estate, the property must be made available in a proper and permissible way or rent charged (*e.g.*, made available to the public at large, made available to other non-profits or, fair market rent should be tendered).

Fundraising is just one method; other methods of acquiring property include from local, state, and federal grants, and contributions/assessments from members. Not-for-profit entities and/or foundations who receive grants must adhere to all of the requirements of the grant including recording those funds in a separate and restricted account. Since monies obtained from fundraising and/or grants are from a public source, the property must be used for the tax-exempt purpose of the organization, which sometimes means that the property must be made available to the public or other similar non-profit organizations. Assessment of foundation members requires approval by the members of the foundation.

If the chapter ends up being the sole occupant or user of any real estate purchased by a non-profit entity and/ or foundation (whether for chapter meetings, storage, etc.), then the chapter will most probably pay the non-profit or foundation a fair market value rental to avoid violating private inurement or private benefits rules – which such fair market rent must then be used by the foundation to ultimately serve its tax-exempt purpose. The assets of the non-profit and/or foundation cannot be used to provide a private benefit to the chapter, chapter members, founders, or any private individual or interests.

Additionally, the non-profit and/or foundation must establish a plan for the maintenance and upkeep of the real estate, as well as property and liability insurance. Before purchasing any property, a non-profit entity and/or foundation must understand the costs, benefits, and risks of owning property. The Buildings and Property Committee has developed materials on property acquisition and ownership. Therefore, we suggest contacting them for questions and concerns on property acquisition.

## ***Assessments***

Next, we would like to address the questions regarding assessments by a chapter or foundation.

When it comes to chapters, normally, the bylaws of the chapter would address the financial responsibility of chapter members including dues and assessments. However, if the bylaws are silent on assessments, then the next level of authority would be the results of a chapter vote recorded in the chapter meeting minutes. If a majority of chapter members in a duly authorized chapter meeting vote to assess members for amounts above the chapter dues, then those assessments are chapter assessments that belong to the chapter. Moreover, a chapter in a separate vote can decide that its funds be donated or paid to another entity. If this occurs, the assessment still belongs to the chapter although payment is made to another entity. Therefore, Article VII, Section 6 of the Constitution states that all dues and assessments of chapter members must be paid to the chapter before the per-capita tax for each member is remitted to the corporate office.

Conversely, in the case of a foundation, the bylaws of the foundation govern the financial responsibility of the foundation. If the bylaws of the foundation are silent regarding assessments or donations, then the next level of authority would be the results of a foundation vote recorded in the foundation meeting minutes. If a majority of foundation directors in a duly authorized foundation meeting vote to assess foundation fees, members, or dues, then those amounts would belong to the foundation.

Generally, it is important to always remember that chapters and foundations are separate and distinct entities. Although monies can almost always be given to a 501(c)(3) entity, the tax deductibility and permissibility of use of those funds can be limited depending upon their nature, who makes the donation (*i.e.*, the donor), and whether those sums were voluntarily made with charitable intent. Additionally, the amount and degree of deductibility can also be limited by any benefit the donor, or potentially even the chapter, receive.

Accordingly, whenever chapters and foundations explore these funding arrangements or initiatives, they must consult with experienced tax counsel.

**A chapter cannot conduct foundation business in a chapter meeting. Nor can a foundation conduct chapter business in a foundation meeting.**

- Chapters and foundations are separate and distinct entities. Although some individual members may overlap between the organizations, the two cannot be operated as one.

- All dues, assessments, and donations must be attributable to the organization from which they are derived and paid. If a chapter wishes to direct sums received from dues to a foundation, the chapter must consult with independent tax counsel to determine whether those contributions are proper and potentially tax-deductible for the following reasons:
  - 1) In order to properly be tax-deductible, a payment to a 501(c)(3) must be a voluntary donation without the payor receiving something back in the form of an exchange or receipt of a benefit. If the member does not pay the chapter assessment to the foundation, then the per-capita for the member is not submitted - this could be considered a benefit.
  - 2) Moreover, for the member to receive a deduction, the payment must be more than the assessment. For example, if the chapter assessment is \$150 and the member pays to the foundation \$150, then there is no deduction. If the member pays \$160, the member would be entitled to a deduction of \$10 (amount paid of \$160 minus \$150 = \$10). This example is like payment of a scholarship luncheon ticket to a foundation in which a meal is served. If the ticket costs \$60 and the value of the meal is \$25, then the deduction allowed is \$35 (\$60 minus \$25). You cannot deduct more than the benefit you receive from a foundation. This is a simple discussion of IRC 170(c).

## ***RECAP AND CONCLUSION***

We would like to leave you with a simple way to understand the difference between a chapter – a 501(c)(7) entity, and a foundation – a 501(c)(3) entity.

A **501(c)(7) is like an apple.** It is a non-profit entity organized for social, recreation and pleasure. Its major source of income is membership dues and membership activities. The 501(c)(7) does not pay taxes on membership dues or membership-related activities. It pays taxes on income received from non-members, vendors, grants, etc. Although it may have a service component in a desire to further good in mankind, fundraising income from non-members is taxable even though it is performing philanthropic services. This taxable income is referred to as Unrelated Business Income and is reported on Form 990-T.

A **501(c)(3) organization is like an orange.** It is organized and operated exclusively for one or more tax-exempt purposes that provide philanthropic services to a wide audience and charitable class. Therefore, activities that further its exempt purposes are not taxed.

Contributions, grants, fundraising income, and donations from various entities and individuals are tax deductible to the contributor and not taxable to the foundation if those funds are received as part of the tax-exempt purpose of the foundation. Moreover, investment income, if earned from funds used to further its exempt purpose, is not taxable.

Therefore, a chapter and a foundation can collaborate and work together in harmony as each understands the nature and purpose of their tax-exempt status. An apple can never be an orange and an orange can never be an apple. Each must follow its own purpose and utilize those separate but different traits to accomplish its exempt and lawful purpose.

## **RESOURCES:**

- Alpha Kappa Alpha Compliance Guideline – Revised November 2016
- Various IRS Publications
  - Publication 557- Tax Exempt Status for Your Organization
  - Publication 526- Charitable Contributions
  - Publication 4220- Applying for 501(c)(3) Tax Exempt Status
  - Publication 4221-PC- Compliance Guide for 501(c)(3) Public Charities
  - Publication 4221-NC- Compliance Guide for Tax Exempt Organizations other than 501(c)(3) Public Charities and Private Foundations
  - Publication 598- Tax on Unrelated Business Income
  - Publication 1771-Charitable Contributions-Substantiation and Disclosure Requirements
- [www.stayexempt.irs.gov](http://www.stayexempt.irs.gov)
- [www.irs.gov/charities-nonprofits](http://www.irs.gov/charities-nonprofits)
- [www.guidestar.org](http://www.guidestar.org)
- Form 990 and Instructions
- Form 990-T and Instructions
- Alpha Kappa Alpha Year-end Report #11 – Foundation Checklist
- Alpha Kappa Alpha Year-end Report #2 – Statement of Operations



## FREQUENTLY ASKED QUESTIONS & ANSWERS

TOPIC	QUESTION NUMBER
❖ Audit	<b>1</b>
❖ Boards	<b>2</b>
❖ Bylaws	<b>3</b>
❖ Chapter Related: Financial & Assessments	<b>4, 5, 6, 7, 8, 9</b>
❖ Debutante Cotillions	<b>10</b>
❖ Fiscal Agent	<b>11</b>
❖ Fundraisers	<b>12, 13, 14, 15, 16</b>
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❖ Online Giving	<b>19</b>
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## AUDIT

QUESTION	ANSWER
<p><b>1. Is an external audit of the foundation required every year? Can a chapter auditor also audit a foundation?</b></p>	<p>An audit should be conducted annually of the foundation’s financial statements and its underlying books and records. One year could be an internal audit and the next year could be external. However, when applying for grants and funding from other foundations, some grant makers may require that a recent audit be submitted to demonstrate or confirm the financial status of the foundation.</p> <p>Additionally, although the foundation can use the same auditor as the chapter, since the foundation is a <u>legal entity separate and apart from the chapter</u>, the foundation must conduct its own audit under its own separate engagement with such auditor.</p>

## BOARDS

QUESTION	ANSWER
<p><b>2. Can members of the community that are not members of Alpha Kappa Alpha Sorority serve on the Board of the Foundation?</b></p>	<p>Yes. This issue is governed by state and federal law and the foundation’s organizational documents. However, the Sorority requests that for those foundations reported by the Chapter on Report #11, the foundation board members also all be members of the Sorority as long as it is consistent with applicable laws and the foundation’s organizational documents.</p>

## BYLAWS

QUESTION	ANSWER
<p><b>3. Does the foundation need to have its own separate set of bylaws? Can you provide a sample?</b></p>	<p>Yes. A foundation must have its own separate bylaws. Since bylaw requirements vary by state, we are unable to provide a sample. Therefore, a foundation should consult with a tax attorney in their respective state to assist in drafting specific bylaws.</p>

## CHAPTER RELATED: FINANCIAL & ASSESSMENTS

QUESTION	ANSWER
<p><b>4. <i>Can chapter assessments paid by a chapter member directly to the foundation receive a tax contribution?</i></b></p>	<p>Donations made to a 501(c)(3) are tax-deductible under certain circumstances. Chapters interested in having their members pay chapter assessments directly to a foundation, instead of to the chapter should consult with independent tax counsel to evaluate the permissibility and deductibility of those donations, and to ensure they do not violate any other rules.</p>
<p><b>5. <i>Can the chapter bylaws state that chapter members have to be financial with the foundation?</i></b></p>	<p>The Sorority does not have any rules which prohibit chapters from requiring chapter members to be financial with a foundation. However, chapters should be cognizant that such requirements create risk that can negatively impact its members; for example, members may not be able to financially afford such additional costs. Furthermore, such requirements can compromise the deductibility of the donation or create certain tax risks for the chapter. For example: if a local chapter is closely operated with a local foundation, or if both are run or operated by the same individuals, then there is room for error, mistake, increased scrutiny by the IRS, or the receipt of improper benefits or commingling of assets when members are required to be financial with a foundation. Also, as stated in Question #4 above, redirecting member assessments can also present a complicated tax question, so chapters considering these practices or already engaging in them should consult with independent tax counsel.</p>
<p><b>6. <i>If the foundation is supposed to be a separate legal entity apart from the chapter, why does Alpha Kappa Alpha request certain chapter officers to be on the Foundations Board of Directors?</i></b></p>	<p>Although the foundation does have its separate mission and tax-exempt purposes which appeal to a broader public group, the foundation can work with chapters in implementing program targets so long as they align with the foundation’s independent mission and exempt purpose. This decision is left to the foundation. Since certain programs are proprietary to Alpha Kappa Alpha and its chapters, if a foundation receives program materials necessary to collaborate with the chapter regarding common program targets, they may find it helpful to share certain officers. On the chapter level, all communications to the chapter are sent to the chapter Basileus who disseminates the information to the chapter. Every chapter has a program chairman who is responsible for planning and executing the Sorority’s program targets for the chapter. Finally, the chapter Tamiouchos maintains financial records to ensure the program targets are funded in line with the budget. Therefore, it can be helpful for the chapter Basileus, program chairman, and Tamiouchos to serve or work directly with the Board of Directors of the Foundation. Although it is absolutely not required that chapters utilize or work with foundations, we provide this suggestion for consistency throughout the Sorority.</p>

<p><b>7. Must the chapter Basileus also serve as the foundation President? And Should the Anti-Basileus for programs serve as the foundation Vice President?</b></p>	<p>No. Foundation rules and its board members are not governed by Alpha Kappa Alpha Sorority. There is no requirement for chapter members, directors, Basileus, and Anti-Basileus to hold the same offices in a foundation as those in, or similar with, the chapter. The Sorority simply acknowledges, for the reasons stated in Question #6 above, that the chapter’s Basileus, Tamiouchos, and program chairman may ultimately work directly with or, in some capacity, serve the partnering foundation’s board. Ultimately, however, the independent bylaws of the foundation will determine its members of the Board of Directors, their respective offices, roles, and procedures.</p>
<p><b>8. My chapter voted to include \$70 as assessment for support of a foundation as part of the chapter dues and assessments. How should the chapter handle the collection of this assessment and payment to the foundation?</b></p>	<p>Since the assessments were voted on by the chapter members in a chapter meeting and paid with chapter dues, the assessments technically belong to the chapter. However, the chapter can decide to use its assessment money to support foundations or causes of its choosing. Therefore, in this scenario, sorors should write one check to the chapter for payment of their total dues and assessments. The chapter can then write one check to the foundation for the \$70 collected from the members as a contribution from the chapter. Also, since this is a chapter assessment, the members should not write a separate check to the foundation. Remember, there is not a tax deduction for the chapter members because it is an assessment voted on by chapter members who paid with their dues – and is therefore not an independent and voluntary donation to a 501(c)(3) organization free of any benefit flowing to the donor.</p>
<p><b>9. If a chapter were to require all members of the chapter to be members of the foundation, and I do not want to be a member of the foundation, how does this affect my membership status in the chapter and Alpha Kappa Alpha Sorority?</b></p>	<p>This question is related to Question #5 above. Alpha Kappa Alpha Sorority encourages lifelong membership in the Sorority and has a general membership program to assist those members who, for any reason, are unable to fulfill the financial requirements of their chapter.</p>

**DEBUTANTE COTILLIONS**

<b>QUESTION</b>	<b>ANSWER</b>
<p><b>10. Some foundations host a debutante ball/cotillion as a means of providing funding for scholarships and</b></p>	<p>No. 501(c)(3) organizations should be used only to advance their exempt purpose, and should not host private or social events to provide benefits to private or related individuals. If a 501(c)(3) foundation hosted an event which is solely for the benefit of a</p>

<p><b><i>community programs. A debutante ball is a social event which introduces young ladies to society. Each participant is required to pay a participant fee and sell a certain amount of ads. At the end of the event, scholarships are awarded to the young ladies who raise the largest amount of funds. Is a foundation allowed to sponsor a debutante ball/cotillion and use the proceeds paid from the event as scholarships to the participants?</i></b></p>	<p>501(c)(7) chapter or its related individuals (e.g., a chapter anniversary, chapter celebration, retirement party, etc.), and that event either serves to benefit those individuals socially or financially, and ultimately loses money or nets a zero profit in donations to be used by the foundation, then this event would <b>not</b> be a proper tax-exempt activity for a 501(c)(3) foundation. The tax-exempt purpose of a foundation as described in the Internal Revenue Code is religious, charitable, educational, scientific, etc. Therefore, a foundation should not participate in activities that do not further its tax-exempt purpose. Accordingly, it would appear that the debutante ball is primarily social in nature, for the benefit of private individuals, the chapter, and related persons, and is not a legitimate fundraiser intended to advance its exempt purpose. It would also be inappropriate to use the foundation to host what is otherwise a chapter event purely to obtain tax breaks or venue discounts.</p> <p>Although scholarship fundraising is likely in line within many foundations' exempt purposes, in this case, the Debutante "scholarships" are targeted, identifiable beforehand, and restricted to only those who participate in the ball (and are all likely related to the chapter in one way or another). Additionally, the "scholarship" recipients are usually required to provide services to qualify for the scholarship (such as soliciting contributions from donors and souvenir ads) and are required to sell a minimum number of ads, but are then guaranteed a certain portion of return. Therefore, this does not appear to satisfy the requirements to be a qualified scholarship, and could subject the foundation, the chapter, and the recipient to taxes or penalties (for more information about scholarship programs, see the Summary of Chapter and Foundation Guidance which can be found at <a href="http://www.aka1908.com">www.aka1908.com</a>).</p>
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**FISCAL AGENT**

<b>QUESTION</b>	<b>ANSWER</b>
<p><b><i>11. Can a foundation be established for the purpose of being a "fiscal agent" for our chapter? Is our foundation precluded from doing its own fundraising and awarding scholarships in its own name?</i></b></p>	<p>A 501(c)(3) foundation <u>should not</u> act as a fiscal agent for a 501(c)(7) entity, because the 501(c)(7) organization will never be entitled to 501(c)(3) tax-preferred status. Additionally, a fiscal agent receives funds on behalf of the organization but does not retain control and discretion over how the funds are spent. A foundation cannot act as a pass-through to accept tax-deductible contributions from the public, and then transfer them to a chapter that is a 501(c)(7). Although the 501(c)(7) may use the funds for charitable purposes, the foundation can lose its tax-exempt status. Alpha Kappa Alpha Sorority recommends</p>

	<p>that chapters working with foundations follow all of the legal and statutory requirements in working with the foundation, and that the foundation remain truly separate and distinct for all purposes. Foundations are not to be used as a pass-through vehicle or means of diverting tax benefits or funds to a chapter or its members.</p> <p>Also, there is a difference between being a fiscal agent and fiscal sponsor. The IRS criteria for fiscal sponsorship is as follows:</p> <p><u>Elements of Fiscal Sponsorship</u></p> <ul style="list-style-type: none"> <li>● Grants/donations are given to a 501(c)(3) tax-exempt organization (the sponsor) that acts as a guardian of the funds for a project that does not have 501(c)(3) status.</li> <li>● The funds received by the sponsor must be used for specific charitable projects that further the sponsor’s own tax-exempt purpose.</li> <li>● The sponsor must retain discretion and control as to the use of the funds.</li> <li>● The sponsor must maintain records that establish that the funds were used for 501(c)(3) purposes.</li> <li>● The project should either be short term, or the non-exempt organization should be actively seeking its own tax-exempt status.</li> </ul> <p>The IRS has a strict policy against the use of “conduits.” If the elements of fiscal sponsorship are not present, then a donation of funds to a fiscal sponsor earmarked for the project will be treated as a donation from the donor directly to the project and will not be tax-deductible to the donor if the project is not tax-exempt.</p> <p>To avoid this result, the sponsor must have “complete discretion and control” over the funds. This means the sponsor must be legally responsible for the funds to ensure that payment of funds to the sponsored project are made to further the sponsor’s own tax-exempt purposes. There are several models of fiscal sponsorship. Accordingly, it is important for a sponsor and its project to understand the exact nature of their relationship and to memorialize the terms in a written agreement.</p> <p>The overall intent of Alpha Kappa Alpha Sorority in allowing chapter members to work with separate foundations is to allow for collaboration on charitable programs. Establishing a foundation to act as fiscal agent or fiscal sponsorship is not the intent of the language in the Constitution and Bylaws. Alpha Kappa Alpha does not assume any liability for these separate legal entities that chapters work with. Moreover, Alpha Kappa Alpha strongly suggests that any and all foundations that work with chapter members adhere to the rules and regulations of the IRS in establishing a tax-exempt organization, strictly prohibit jeopardizing the 501(c)(7) tax-exempt status of Alpha Kappa</p>
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	Alpha and its affiliated chapters, and always work with independent tax counsel.
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## FUNDRAISERS

QUESTION	ANSWER
<p><b>12. Can the chapter work with the foundation on a fundraiser to celebrate the chapter's anniversary? If so, what specific guidance should be followed about the funds that are raised?</b></p>	<p>No. Hosting a social event that solely benefits private interests is not a proper tax-exempt activity for a 501(c)(3) organization (see Question #10 above). As such, the tax-exempt purpose of a foundation as described in the Internal Revenue Code are religious, charitable, educational, scientific, etc. Therefore, a foundation should not participate in activities that do not further its tax-exempt purpose. Most chapter anniversaries are social functions designed to celebrate the chapter and its history with the majority of the budget formulated to pay for the social event. The event is therefore social in nature and is not a true fundraiser for the philanthropic or public and charitable purposes of the foundation. It is for Alpha Kappa Alpha purposes. Therefore, it is inappropriate to use the foundation as a tool for this event as it would result in obtaining tax-deductible donations to fund a social event which would not otherwise be deductible, and is not consistent with the charitable purpose of the foundation.</p>
<p><b>13. Can monies in a chapter fundraising account be transferred to the foundation?</b></p>	<p>As stated previously, donations can almost always be properly made to a 501(c)(3) foundation. In a basic sense, and ignoring the potentially related issues discussed in this Manual (<i>e.g.</i>, deductibility, improper benefits, not serving charitable purposes, etc.), chapters can make donations to a foundation. A potential issue in this scenario, however, is whether those funds being given by the chapter from its fundraising account were raised with a very specific purpose disclosed to the donors. If the purpose of those dollars does not align with the initiatives of the foundation to which the chapter is donating such funds, there could be a problem that those dollars were intended to be spent by the chapter on those activities disclosed at the time of, and in exchange for, the original donation(s). For example, if donors are told that the funds would be used to support breast cancer awareness and the foundation does not have breast cancer awareness as part of its mission/purpose, this would or may create significant legal and tax issues for the chapter. Keeping in mind these limitations, a 501(c)(7) chapter can make donations to a 501(c)(3).</p>
<p><b>14. What are the disclosure requirements for foundation solicitations?</b></p>	<p>Fundraising activities are regulated by state law. Many states require registration with the state before the foundation solicits any donations from residents of that state. Therefore, if the</p>

	<p>foundation is engaged in fundraising activities, it is likely that it will need to file a registration form with a state where it is soliciting donations as the majority of states require registration in advance of engaging in fundraising or solicitation activity. Accordingly, we suggest that the foundation consult with their legal advisors before commencing any fundraising activity.</p>
<p><b>15. Can chapters hold fundraisers?</b></p>	<p>Yes, a chapter can hold fundraisers for its programmatic activities. All rules must be complied with. Monies received from the public must be used for programs and not chapter operations. Additionally, funds received from the public may be subject to unrelated business income tax.</p>
<p><b>16. For fundraising events open to the public, can the foundation use Eventbrite and PayPal as an electronic payment source to collect money from the public when a physical ticket is not available?</b></p>	<p>Yes. However, under a new recordkeeping rule effective for all cash, check, electronic funds transfers, credit card charges, or other monetary contributions of any amount made in taxable years beginning after August 17, 2006, a foundation must furnish a receipt to the donor which shows the date posted, the name of the foundation, and the amount of the donation. Moreover, if the event includes a meal and the amount of the ticket is \$75 or more, the foundation must provide a written disclosure of the benefit received and the amount of the contribution that is deductible. For example, if the event costs \$100 and the meal cost is \$40, then the donor is allowed a contribution deduction of \$60. (\$100 less \$40). See also IRS Publication 1771, Charitable Contributions - Substantiation and Disclosure Requirements, at <a href="http://www.irs.gov">www.irs.gov</a>.</p>

**MARKETING / BRANDING**

<b>QUESTION</b>	<b>ANSWER</b>
<p><b>17. Should the foundation brochure/marketing material reference the chapter? Are there instances when co-branding is not recommended?</b></p>	<p>All required disclosures and solicitation rules must be followed. If a foundation and chapter work together in fundraising, then disclosure must be made as to which organization will collect the funds and how the funds will be distributed. Moreover, if all the funds collected are paid to the foundation, then the chapter cannot receive such funds or benefit from such funds because those funds received tax-preferred 501(c)(3) treatment. Chapters are required to obtain approval from the corporate office before they begin any fundraising. The corporate office cannot approve a joint fundraising request if all the funds are collected by the foundation as Alpha Kappa Alpha Sorority does not have authority over the foundation because the foundation is a separate legal entity. Also, the foundation must have its own insurance as the chapter's insurance through the Sorority does not include foundation activities. Additionally, the foundation must add the chapter as an additional insured on its policy for</p>



	<p>any joint activity. Finally, state laws regarding solicitation must be followed.</p>
<p><b>18. <i>Can the foundation advertise a foundation event using the chapter name? For example, “ABC Foundation, Inc, the philanthropic arm of ABC Chapter is hosting a fundraiser”?</i></b></p>	<p>First, let’s clarify the statement. Although a foundation may be formed by chapter members and closely related with a chapter, a chapter can never “own” or “operate” its own 501(c)(3) foundation. The two must always be separate and distinct. With that in mind, and assuming all other proper separation and reporting rules are observed, a chapter may work closely with a foundation and could even represent the foundation as “working with” the chapter on a particular initiative, or its “philanthropic arm” for certain purposes. So long as the operations and funds are treated properly, the name is not necessarily a major issue. However, these types of statements can create additional scrutiny because:</p> <ul style="list-style-type: none"> <li>• The Foundation is a separate and distinct 501(c)(3) legally incorporated entity. The chapter was chartered by Alpha Kappa Alpha Sorority, a 501(c)(7) organization, and is part of the group of chapters chartered by Alpha Kappa Alpha.</li> <li>• Although a chapter and foundation may interact, the foundation and the chapter are not in a legal partnership, and do not technically overlap in either their existence or operation.</li> <li>• The funds that the foundation raises are to be used for the tax-exempt purposes of the foundation, and are not to be used by, sent back to, the chapter, a 501(c)(7) organization, either directly or indirectly.</li> <li>• The activities of the foundation are not covered by the Sorority’s insurance, whereas the activities of the chapter are covered by the Sorority’s insurance upon approval from the corporate office.</li> </ul> <p>Therefore, in order to avoid confusion and mitigate risk, the hypothetical advertisement could be revised to say, instead, something similar to: “ABC Foundation, a 501(c)(3) entity, is working with ABC chapter. “The chapter must always also obtain approval from the corporate office prior to participating in any fundraising events. Additionally, all respective state laws must be met. Finally, proper record keeping and distribution of any credit, recognition, or benefits should be shared between the partnering organizations to identify the contributions from both organizations.</p>

## ONLINE GIVING

QUESTION	ANSWER
<b>19. Can the foundation waive the fees associated with an online giving campaign?</b>	Yes. However, the Board of Directors should present the rationale as to why the fees are being waived and include the expense in the budget.

## OWNERSHIP OF PROPERTY / BUILDINGS

QUESTION	ANSWER
<b>20. If a foundation purchases property and wants to make it available to a chapter, should the foundation charge the chapter to use the property?</b>	<p>It depends. If the Chapter is to be the sole occupant or user of the property, then the foundation should charge the chapter a fair-market rental fee, comparable to what it could charge any other organization or person off the street. Although the chapter and foundation may be related via common membership, and chapter members may have even formed the foundation, the foundation is still a separate legal entity which must operate for its separate tax- exempt purpose, and must not operate for the benefit of private interests (which could very well include Alpha Kappa Alpha). Remember, the chapter is a 501(c)(7) entity, and the foundation is a 501(c)(3) entity, so by giving benefits to the chapter which the chapter would otherwise need to pay for, the 501(c)(3) is indirectly providing tax-preferred benefits to a 501(c)(7) which it wouldn't otherwise have. A decision not to charge the chapter for the sole and exclusive use of the property obtained with tax-deductible dollars would be providing a benefit to the chapter. Moreover, on the national level, Alpha Kappa Alpha Sorority owns a building and charges rent at fair market value to AKA-EAF, the foundation.</p> <p>Alternatively, if the foundation wishes to let a chapter use its property, but does not want to charge fair market rent, the property must serve its tax-exempt purpose and charitable class – which usually means the foundation must have been formed to support organizations similar to Alpha Kappa Alpha, and the foundation must also let other organizations use the property as well (rent-free).</p>
<b>21. Can a foundation raise funds to purchase property?</b>	If the building would be used for the tax-exempt purposes of the foundation, then it can raise funds from the public. However, a disclosure would have to be made to alert donors that monies are being raised to purchase property for its tax-exempt purposes. Those funds should be kept in a separate account since it is a restricted donation. Also, the foundation would have

	to follow the appropriate state laws regarding solicitation. See also discussion on real property acquisition.
<b>22. A chapter interacts closely with a foundation, and would like to purchase a building in the foundation's name to be used for community programs and chapter meetings. Can this be done?</b>	Yes. The foundation can purchase a building; however, the foundation needs to ensure the use of the building does not provide a private benefit to the chapter (a non-501(c)(3) organization). If the building is used by the chapter (whether for meetings or other events for the chapter), then the chapter should be required to either pay rent at fair market value for the use of the space to ensure there is no private benefit or inurement, or other similar organizations must also be able to use the property on the same terms, or the property should be made available to the public at large. See additional comments in the real property section.
<b>23. Can a foundation rent its building to other organizations such as businesses or individuals? Is there a limit to the amount of income a foundation can receive from renting its building to other businesses, individuals, etc.?</b>	A 501(c)(3) organization <u>can</u> rent its building to other individuals, small businesses, etc. for other functions. However, there are two potential consequences to this activity: <b>1)</b> It could be taxable unrelated business income, which would need to be reported on a Form 990-T, but certain rental income may be excluded from unrelated business income (such as if it is not a debt-financed property, or if it meets an exception under IRC section 513). Debt-financed rental income is generally taxable unrelated business income. See <a href="#">Publication 598, Tax on Unrelated Business Income of Exempt Organizations</a> . <b>2)</b> If the rental activity is not related to the organization's exempt purpose, then the organization would need to be sure that the rental activity is not its primary activity. If it is, then it could mean it does not meet the operational test under IRC section 501(c)(3) and it could be subject to tax-exempt revocation of its tax-exempt status.

**PAID STAFF**

<b>QUESTION</b>	<b>ANSWER</b>
<b>24. Can the foundation hire paid staff?</b>	Yes, if it has sufficient funds to cover payroll and related costs such as payroll taxes, insurance, etc., and complies with all rules and laws as if it was a traditional employer.

**PROGRAMS RELATED**

<b>QUESTION</b>	<b>ANSWER</b>
<b>25. Does the foundation prepare the annual budget for</b>	Let's clarify the response. Year-end Report #1, the Budget is required to be submitted by all chapters to the corporate office.

<p><b><i>programs? If so, how can the program chairmen for the various committees participate in the budget development?</i></b></p>	<p>One component of the Budget is the Fundraising Budget. If the chapter funds the programs, then the chapter would prepare the Fundraising Budget detailing amounts to be spent on programs, discuss and adopt the budget in a chapter meeting, and submit to the Corporate Office.</p> <p>However, if certain programs that were normally funded by the chapter are no longer handled by the chapter and are being funded by a foundation, then such items are the foundation's separate responsibility, reported and budgeted consistent with its own rules and ultimately reported on its own Form 990. It should be clarified that a foundation's budget is not submitted to the corporate office. Additionally, any related foundation's sponsored programs will not be reported by the chapter in their internal year-end reports to the corporate office. The corporate office specifically instructs chapters not to include any fundraising efforts that are conducted by a foundation in the chapter's year-end financial reports.</p> <p>To summarize, the chapter prepares the budget for the program that it is sponsoring and submits to the corporate office. On the other hand, foundations prepare and submit their own budget for their own program activities and Form 990, which should not be reported by chapters.</p>
<p><b><i>26. Can the chapter run its Programs and just have the foundation fund them or do they need to be run by the foundation?</i></b></p>	<p>A chapter can fund its own programs from dues and assessments from members. It can also fundraise from the public to assist in funding its programs. It cannot, however, receive funds given to a 501(c)(3) foundation and re-purpose or use those tax-preferred dollars as their own.</p> <p>If the chapter funds its programs from member dues and its own fundraising, then the chapter reports to the corporate office those activities in the year-end financial report submitted to the corporate office. Moreover, if a chapter fundraises, it must receive approval from the corporate office, comply with state laws regarding solicitations, and establish a separate bank account to account for the monies received from non-members (public). Those fund-raising activities conducted by the chapter are reported to the corporate office and are the basis for the preparation of Form 990-T by chapters.</p> <p>If a chapter's members establish a foundation to assist in executing its charitable activities, those programs must be in line with the tax-exempt purpose of the foundation, and must be reported by the foundation independently. As discussed earlier, those fund-raising activities conducted by the Foundation are not reported by the chapter.</p>
<p><b><i>27. Can a foundation independently have their own community program activities</i></b></p>	<p>Absolutely. A foundation is an independent and separate legal entity from the chapter and may choose to have its separate programs that are different from the international/chapter</p>

<p><b><i>that are separate from the international/chapter programs which do not have to be reviewed or voted on by the chapter?</i></b></p>	<p>programs. These programs must always be in line with the foundation’s tax-exempt purposes, as per general IRS rules; however, a foundation need not seek permission from Alpha Kappa Alpha. Moreover, the foundation can decide which programs, if any, of the chapter it will support.</p>
<p><b>28. <i>Can a chapter request a grant from the foundation to fund programs in the chapter?</i></b></p>	<p>Foundations typically give grants to other 501(c)(3) organizations. Since the chapter is not a 501(c)(3) organization, but a 501(c)(7), it would be inappropriate to take tax deductible contributions given to the 501(c)(3) and provide them to an organization that cannot receive tax deductible contributions such as Alpha Kappa Alpha. The foundation must ensure it is not acting as a pass-through to receive monies and turn them over to the chapter. Since the foundation’s mission most likely would include a charitable or educational purpose, the foundation could adopt the chapter’s program and fund the activity with assistance from chapter members. In this case, the funds will stay in the foundation separately, and the foundation will have its own records to document expenditures for the program made in accordance with the foundation mission and purposes. Additionally, this will ensure that the funds of the foundation are not used to benefit the chapter. The foundation is not a source of income for the chapter to receive monies, even if used for the chapter’s charitable initiatives. Again, the net earnings of the foundation should not be used to provide a private benefit to an individual, founder, or related entity. We recognize that the foundation and chapter may be closely related, but they are two separate organizations with different tax structures.</p>

## SCHOLARSHIPS

QUESTION	ANSWER
<p><b>29. <i>When chapters are donating money for scholarships, programs, or to the community, do monies have to be donated only to other 501(c)(3) entities? Or, as long as it complies with our bylaws and mission, can funds be donated by a chapter to any type of entity that is not necessarily a 501(c)(3), such as a girl scout troupe, or other</i></b></p>	<p>Donations can be made to any form of organization. However, whether that donation is tax deductible will depend on the nature of the organization. Also, the organization’s ability to use those donations will also depend on its tax-exempt purpose and nature.</p> <p>For example, donations made to a 501(c)(3) entity are generally tax deductible by the donor. Alternatively, donations made to a 501(c)(7) entity are not tax-deductible. However, both of those types of donations can, for the most part, be donated at any time and for any reason. The biggest restriction on the ability to donate funds applies to 501(c)(3) foundations. Because all</p>

<p><i>entities that fall under a 501(c)(7) category?</i></p>	<p>501(c)(3) activities must serve a charitable purpose, a 501(c)(3) should only donate to people or organizations that advance the foundation's purpose. This means, for example, a 501(c)(3) formed to identify and cure brain cancer should not donate to a charity established to beautify a northern California seashore. Although the donation may still be tax deductible, it is not advancing the 501(c)(3)'s charitable purpose. For more information regarding the rules on 501(c)(3) donations, see Question #4 above.</p>
<p><b>30. Can you clarify how scholarships that are granted by a foundation to individuals should be reported by the foundation and the individual? I know some foundations pay the scholarships directly to the school with the student ID on the check. However, some pay the scholarships directly to the recipients.</b></p>	<p>To qualify as a scholarship, the amounts must be paid on behalf of a student to attend an educational institution to defray the cost of tuition, fees, books, supplies or equipment. Therefore, the accounting is as follows:</p> <p><b>On the organization's/foundation's side</b> – If the organization provides a “scholarship” directly to the student, and the organization does not require documentation to verify those funds were used for tuition, fees, books, supplies, or equipment (such as receipts), then the organization would be required to issue the scholarship recipient an IRS Form 1099 (if it is over \$600), because he or she has not been able to show that the scholarship is a qualified scholarship or fellowship grant. If the scholarship is under \$600, then there is no Form 1099 filing requirement.</p> <p>Additionally, if the foundation sends a check directly to the educational institution with the student ID on the check, then the foundation has completed its due diligence and is able to record the payment as a scholarship and include the scholarship as an expense on its form 990.</p> <p><b>On the individual's side</b> – If the organization paid the “scholarship” directly to the student and the student did not use those funds for tuition, fees, books, supplies, or equipment, then it would be taxable income to that individual (for any amount, and whether or not a Form 1099 was provided). Here's a good article to explain that - <a href="#"><u>Topic No. 421 Scholarships, Fellowship Grants, and Other Grants.</u></a></p> <p><b>Additionally, for Private Foundations</b> - <a href="#"><u>Grants</u></a> to individuals for travel, study, or other similar purposes are taxable expenditures (meaning they could be subject to excise taxes under IRC section 4945), <b>unless</b> certain conditions are met, see this article on <a href="#"><u>Grants to Individual.</u></a></p>
<p><b>31. Can scholarships be given to family members of the foundation if they meet the qualifications?</b></p>	<p>Generally, no, but can be in limited circumstances. Since the foundation is a public foundation in which 33% or more of its funds are received from the general public, the net earnings of the foundation should not be used to benefit its private or related persons, organizers, board, shareholders, etc. Accordingly, family members of the foundation's officers,</p>

	<p>directors, or related persons should not ordinarily be receiving scholarships from the foundation, as this would suggest that the foundation is distributing benefits to its own related persons (which is strictly prohibited). This can, however, be permissible in extremely limited situations where the recipient happens to naturally, and objectively, fall within the targeted scholarship pool, the scholarship opportunity is properly circulated and made available to others, the recipient truly satisfies the scholarship requirements and, ideally, the recipient is selected on a blind or nearly-blind basis. If all these conditions are present, then the recipient will presumably not have received preferential treatment and could be awarded the scholarship.</p> <p>Still, it is important to remember:</p> <ul style="list-style-type: none"> <li>• IRC 501(c)(3) expressly forbids the inurement of net earnings to the benefit of a private shareholder or individual.</li> <li>• Reg. 1.501(c)(3)-1(c)(2) clarifies that an organization is not operated exclusively for exempt purposes if its net earnings inure to the benefit of private individuals.</li> <li>• To be charitable, an organization must serve a <b>public</b> rather than a private interest. Reg. 1.501(c)(3)-1(d)(1)(ii). The organization must demonstrate that it is <u>not organized or operated for the benefit of private interests</u> such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly by such private interests.</li> </ul> <p>For more examples of proper versus improper scholarship procedures, see the Summary of Chapter and Foundation Guidance which can be found at <a href="http://www.aka1908.com">www.aka1908.com</a>.</p>
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**UNDERGRADUATE RELATED**

<b>QUESTION</b>	<b>ANSWER</b>
<p><b>32. Can a graduate chapter which works with a foundation assist an undergraduate chapter that it sponsors by fundraising from the community? The donors would make checks payable to the foundation that would keep the funds in a separate account. The foundation would then write a check payable to a local charity on behalf of the undergraduate chapter from</b></p>	<p>The answer is complicated, and any such chapter must consult with independent tax counsel and consider the following potential issues:</p> <ul style="list-style-type: none"> <li>• The graduate chapter is not allowed to fundraise on behalf of the undergraduate chapter on the college campus or in the community. Only the undergraduate chapter has the authority to conduct fundraising on the chapter campus.</li> <li>• If the fundraising is done in the community, those funds that are collected belong to the foundation. The foundation cannot, or should not, act as a fiscal agent or holder of funds for another organization. If the foundation “writes a check to the organization” (assuming that it is an organization</li> </ul>

<p><b><i>the funds recorded in the separate account.</i></b></p>	<p>exempt under IRC section 501(c)(3)), then it's not really on "behalf of the undergraduate chapter" because it's the foundation's funds, since it's going through the foundation (even though the chapter members might have helped raise the funds). Essentially, the chapter cannot control the funds that go through the foundation, the foundation does. And the chapter should not report in its records/tax returns that the funds which go through the foundation were the chapter's fundraisers and charitable contributions.</p>
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### EAF RELATED

QUESTION	ANSWER
<p><b><i>33. Alpha Kappa Alpha Sorority's national constitution and bylaws in Article X state that all members of the sorority support AKA-EAF by an annual assessment. So why can't a foundation formed by a local chapter require the same of its members and include similar language in its local bylaws?</i></b></p>	<p>This question is related to Question #5. The Sorority does not have any rules that prohibit chapters from requiring such assessments, but to ensure that such assessments satisfy all of the requirements of applicable tax law and do not create unnecessary risks, chapters should consult with their own independent tax counsel to evaluate their circumstances (and bylaws) on a case-by-case basis.</p>



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