



## **Chapter 19**

# **Friends and Foundations**

### **Friends of the Library**

- Every library can benefit from friends.
- Approximately two-thirds of Indiana's public libraries had an active Friends group.
- The Friends of the Library organization is the right arm of the library.
- The Friends can have fund raising campaigns, book sales, etc. to help with the needs of the library beyond what the library can do, either financially or legally.
- Friends groups can buy incentives for summer reading programs, food as a drawing card for teen programs, or recognition programs for volunteers and staff. The list goes on and on. It is only limited by the imaginations of the Friends members and the funding they have to develop and carry out the dreams of the library.
- Friends also help the library as volunteers, advocates and lobbyists.

### **Working with your Friends**

#### **1. How to Organize a Friends Group**

- Determine the purpose of and need for the group. This should be done with the director and a small core of concerned citizens.
- Select a steering committee to reflect your community and the needs of the group. It is important to have access to an attorney, public relations and advertising talent, and high-profile leaders.
- Optional- Join ALA's United for Libraries: <https://www.ala.org/united/>
- Work on obtaining Federal tax-exempt status [501(c)(3)]. Here is some general information about the 501c designation.
  - [https://en.wikipedia.org/wiki/501\(c\)\\_organization](https://en.wikipedia.org/wiki/501(c)_organization)
  - <https://www.501c3.org/what-is-a-501c3/>
- The following IRS URLs will provide helpful information.
  - <https://www.irs.gov/charities-non-profits/charitable-organizations>
  - <https://www.irs.gov/publications/p557>
- State tax-exempt status at
  - <https://www.in.gov/sos/business/division-forms/business-forms/>

- Many organizations use a lawyer's services. The 501(c)(3) designation is required so that
  1. The Friends group can legally sell items donated to your organization by the library [IC 36-12-3-5(c)]; and
  2. When the Friends group collects dues or donations, they will be tax-deductible. A tax advisor can furnish more guidance.
- At the same time, work on a constitution and by-laws.
- Define your dues structure and membership categories.
- Create and publish a membership brochure or website.
- Begin the publicity campaign in your community. Be sure to involve elected officials, trustees, and other interested parties.
- Determine a tentative schedule for the first year, in order to involve new members on committees as soon as they join.
- If fund raising is important, have a campaign in place and set goals. People like to know where their money is going.
- Set the opening meeting. Plan the program carefully. Have a brief agenda for the first annual meeting.
- Develop a long-range plan for Friends. Re-evaluate after the first year.

## **2. Formal Operating Agreement Between the Friends and the Library**

The relationship between Friends and the library can be doomed by misunderstandings about how money and time of the Friends group is spent. Establish a good working relationship to continue to keep members of the Friends group and the library in the loop. A Friends executive board member should always attend a library board meeting; and the library director or an appointed designee should attend Friends executive board meetings. In addition, the Friends should be invited to participate in the library's planning process. Being part of the process, understanding the library goals allows the friends to align with those of the library helping reduce conflicts on how resources are employed.

Work out how and who will make decisions regarding the friends' efforts. Ideally it would be a mutual agreement. Ultimately, the authority to accept or reject a gift to the library belongs to the library administration. Perhaps organize an annual meeting to make known the library's wish list with priority order and justification for the request. Of course, the Friends have the authority to determine what areas of the wish list to support.

Consider the following for the operating agreement:

- How will the Friends be incorporated into the library's planning process?
- Are friends authorized to spend their funds on organizations, agencies, programs or projects that are not directly linked to the library? If so, under what conditions? Include this in the mission and bylaws of the Friends group. Sometimes spending on other items can be a point of contention.
- What support will the library give to the friends in terms of publicity, mailings, labor for book sale, space for book sale, office space, office staff support, etc.

- Will the friends engage in advocacy campaigns on behalf of the library? If so, who is involved in the design and message of those campaigns?
- Does the Friends have a role or authority for developing and implementing programs?

A sample Memorandum of Understanding is available at the United for Libraries' website at: <https://www.ala.org/united/friends/orgtools>.

### **3. How to Revitalize Your Friends Group**

- Define problem areas for group (or board of directors). Consider reaching out to current or former directors or former friends.
- Throw a party for members and past members only. It should be fun, with refreshments and music. Use any reason for the party: holiday, author, recognition, social evening. Consider holding the party off-site.
- Delegate responsibilities to ensure attendance. Divide up roles so various people will be responsible for bringing food and necessary articles.
- Send out pre-event and post-event publicity with names and photos. Make the Friends look like a fun and meaningful group.
- Reevaluate your goals and objectives with the information you should now have.
  - Did you have too broad a mission?
  - Were you stressing fund-raising to the neglect of other activities?
- Reorganize the board of directors, adding positions and breaking down responsibilities so that individuals do not have too great a burden. Enlarge committees if appropriate.
- Review benefits of membership, making sure they are in line with what your community expects.
- Review communications to members; are they being kept informed? Are you taking advantage of the materials United for Libraries provides?
- Consider enrolling of new members as a year-round effort, not limited to a certain period. Be sure brochures are available at every event, at the library desk, and on the library's website.
- Be sure to appreciate and recognize efforts of every magnitude. Recognition is of primary importance to volunteers.

## **Sales (Library / Friends Group)**

According to **IC 36-12-3-5**, the library board may sell, exchange, or otherwise dispose of real property and personal property no longer needed for library purposes in accordance with IC 36-1-11 and IC 5-22.

The library board may transfer personal property no longer needed for library purposes for no compensation or a nominal fee to an Indiana nonprofit library organization that is (1) tax exempt, and (2) organized and operated for the exclusive benefit of the library disposing of the property, without complying with IC 36-1-11 or IC 5-22. (This would be the library's 501(c)3 Friends group)

The library board may accept gifts of real or personal property and hold, mortgage, lease, or sell the property as directed by the terms of the grant, gift, bequest, or devise, when the action is in the interest of the public library.

In order to be eligible to receive personal property from the library, the Friends of the Library must:

- (a) be registered with the Indiana Secretary of State as a nonprofit corporation;
- (b) obtain Employee Identification Number (EIN) (even if there will be no employees);
- (c) obtain tax-exempt status under Internal Revenue Code Section 501(c)3; and
- (d) obtain state sales tax exemption.

### **Sales of merchandise by a Library**

See Sales Tax Bulletin #4 (link provided below)

Sales by state and local agencies are tax exempt unless the sale involves a "proprietary" (nontraditional) activity. According to the Indiana Department of Revenue (IDOR), "an activity is proprietary when it is not necessary in the performance of a library's governmental function of lending books, providing reference materials, providing access to the internet...etc." and when it is an activity competing with the private sector.

According to IDOR, examples of taxable sales are sales of USB drives, book bags or bookmarks, sales of books if the books were purchased for resale and not for the library's exempt function of loaning books to patrons, etc.

According to IDOR, examples of non-taxable "sales" are library card fees, debt collection fees, printing and copying fees, penalties and fines, sales of books originally purchased and used by the library for lending to patrons, etc.

### **Sales by the Friends Group – More than 30 days is OK, but not more than \$20,000/year**

See Sales Tax Bulletin #10 (link provided below)

As of July 1, 2022, the “30 day limit” on sales by qualified nonprofit organizations has been repealed. Instead, there is now a limit on sales an organization can make, which is \$20,000/year.

There is a sales tax exemption for sales of the following property by a public library (or a charitable organization formed to support a public library): (1) Items in the library's circulated and publicly available collections, including items from the library's holdings. (2) Items that would typically be included in the library's circulated and publicly available collections and that are donated by individuals or organizations to a public library (or to a charitable organization formed to support a public library). This means that sales of qualifying items (used books, CDs, DVDs, etc.) are not subject to the collection of sales tax even if the library or library's Friends group engages in sales of these items for more than 30 days in a calendar year. Other, non-qualifying items would be subject to sales tax.

All organizations required to collect sales tax must register with the Department of Revenue and get a Retail Merchant Certificate. They also must register as nonprofit organizations. An organization can register with the department for sales tax, county innkeepers' tax, and food and beverage tax by visiting the State of Indiana's INBiz website, which allows businesses to register with multiple state agencies, at <https://inbiz.in.gov>. The nonrefundable application fee for a Retail Merchant's Certificate is \$25.

A Friends group will need to report to IDOR annually, quarterly or monthly depending on how much sales tax the group estimates on the BT-1 that it will collect. Generally, a 12-month/year business operation will report and pay sales tax monthly.

Please ensure that any sales or funds handled on behalf of your Friends group are incorporated in the library's internal controls.

#### **Resources for additional information:**

- **Sales Tax Bulletin #4** Sales to and by Indiana State and Local Governments and the United States Government and Its Agencies <https://www.in.gov/dor/files/sib04.pdf>
- **Sales Tax Bulletin #10** Application of Sales Tax to Nonprofit Organizations <https://www.in.gov/dor/files/sib10.pdf>
- **Indiana Department of Revenue (IDOR)** <https://www.in.gov/dor/>  
Sales Tax: (317) 233-4015

**Please check with IDOR or your library's attorney if further information is needed.**

## Resources for Friends

### 1. Indiana Library Federation (ILF)

<https://www.ilfonline.org/>

- Indiana Library Federation leads, educates and advocates to advance library services for the benefit of Indiana residents.
- While the Friends of Indiana Libraries (FOIL) division is not currently active, Friends groups may join to support Indiana Libraries and receive access to the information shared by ILF for a small annual fee.

### 2. United for Libraries

<https://www.ala.org/united/>

859 W. Lancaster Ave., Unit 2-1

Bryn Mawr, PA 19010

(800) 545-2433, ext. 2161

(312) 280-2161

[united@ala.org](mailto:united@ala.org)

- The mission of United for Libraries is to support citizens who govern, promote, advocate, and fundraise for all types of libraries.
  - United for Libraries has the specific responsibility for:
    - Educating through a continuing and comprehensive program for library Trustees to enable them to discharge their responsibilities in a manner best fitted to benefit the public and the libraries they represent.
    - Encouraging and assisting the formation of and development of Friends of Library groups and Library Foundations.
    - Providing a means for Trustees to have access to information and ideas that will prove useful to them in the governance of their libraries.
    - Providing Friends of Library groups and Library Foundations access to information and ideas that will prove useful to them in fundraising, library promotion and the operation of their organizations.
    - Promoting strong state and regional Trustee and Friends of Library organizations.
    - Providing to all who value libraries the materials and support they need to be effective advocates for their libraries on the local, state and national levels.
    - Making the public aware of the existence of formalized citizen groups such as Trustees, Friends of Library groups and Library Foundations and the services they perform to encourage and develop expanded citizen participation in the support of libraries across the country.
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## **Public Library Foundations**

Providing revenues to the library to enhance services is the most direct and observable activity of a library foundation, but a foundation has other advantages. As of 2014, only about one in nine public libraries in Indiana had a foundation.

### **1. Benefits of a Library Foundation**

- A foundation can give the library alternatives it usually does not have in its budget structure. Sometimes during a tightly budgeted fiscal year an unplanned opportunity or necessary expense presents itself. A budget has little flexibility, but the foundation may have resources to meet the unforeseen need.
- Many public libraries are limited in the amount of reserve or building funds they can accumulate. A foundation can be used for this purpose without interfering with annual budget proposals or negotiations.
- Another more subtle benefit is that people seem to have confidence in foundations. The word itself provides feelings of safety and security. So does the word “library.” When the two words are used together, and a list of prominent citizens who serve as board members and manage the foundation is added, potential contributors are convinced and willing to give support.

### **2. Forming a Foundation**

Before taking the legal steps to actually organize or establish a foundation for a public library, it is wise to take time to do some planning, decision making and educating.

- The success of a foundation hinges on the performance of the library in the community, the support of the staff and board of trustees for a foundation, and the careful choice of persons to serve as the board of the foundation.
- In addition to acceptance of the concept, the library should identify its roles and develop a mission statement and strategic plan.
- A long-range plan can help identify library needs and provide a sense of purpose to the foundation.
- Many libraries choose to start an account in a community foundation.

### **3. Choosing a Board**

- It is essential that foundation board members be influential residents of the community, able to garner financial support from their contacts and from business and industry, able to personally give financial support, and able to command respect for the library.
- The board should represent a good cross-section of the community.
- Another group to consider is the local Friends of the Library. If an active group exists in the community, consider whether the foundation should be created by the Friends with strong Friends membership on the foundation board, or whether the foundation would function better as an independent association. At least consider appointment of a Friends member to the Foundation Board, along with other civic groups with strong ties to the library.

#### **4. Organizational Meeting**

- Once a list of potential foundation board members is selected, it is time to invite them to an organizational meeting. This is a vital moment in the life and success of a foundation.
- First impressions last.
- Outline the needs of the library, as well as the role a foundation and its board can play in fulfilling those needs.
- Be prepared for questions about the library and the perceived need for and value of the foundation.
- Point out how valuable this coalition would be to the community.
- Before they leave, try to gain a commitment from each individual to serve on the foundation board.

#### **5. Articles of Incorporation**

Articles of Incorporation should be brief and contain only the most essential facts about the organization. These would include:

- Name of corporation
- Duration of the corporation
- Purpose of the corporation
- Address of the corporation
- Management of the corporation
- Name of the registered agent
- Names and addresses of the initial board
- Hold harmless clause (for protection for board members)
- Provision of distribution of assets upon dissolution

#### **6. Bylaws**

Bylaws are the guidelines and procedures under which the foundation will operate. They include:

- Location of corporation
- Members
- Meetings
- Board of directors
- Officers
- Executive director
- Committees
- Fiscal year
- Dues
- Books and records
- Contracts, loans, check and deposits
- Dissolution
- Amendments



- Rules of order
- Waiver of notice
- Indemnification

## **7. Applying for Tax Exempt Status**

- Once the organization has incorporated with the state, received an employer identification number, and adopted bylaws, it is ready to file for recognition of exemption from federal income tax.
- The magic number at this point is 501(c)(3). Contact the local IRS center for the appropriate forms to complete.
- The forms can be completed while waiting for certification from the state and should be done by or reviewed by an attorney.
- The form asks the following:
  - Signature of authorized person
  - Employer identification number
  - Previous tax returns
  - Balance sheet of receipts and expenditures for current and preceding three years or a proposed two year budget
  - Description of anticipated activities
  - Articles of incorporation
  - Bylaws

## **8. Announcing the Foundation to the Public**

Any time after adopting the bylaws, the new foundation may declare its existence and begin receiving contributions.

- The announcement to the public should be planned carefully. All persons involved in the foundation must be committed to the protection of the library's tax support.
- When a necessary and visible item is purchased for the library, the publicity surrounding its arrival can be used as a vehicle to acquaint people with the foundation.
- Each new public library foundation needs to find its own appropriate way of "going public."

## **9. Funding a Foundation**

A new library foundation needs money. There are various methods of encouraging contributions:

- Deferred giving
- Endowment fund drives
- Direct mail
- Special events
- Raffles
- ...Any other creative fund-raising idea that is legal!

**Other resources:**

- List of Indiana Libraries with Friends and Foundations (updated 2015):
  - [https://www.in.gov/library/files/AR\\_2014\\_Supplemental\\_Questions\\_Friends\\_Foundations\\_and\\_Outreach.xls](https://www.in.gov/library/files/AR_2014_Supplemental_Questions_Friends_Foundations_and_Outreach.xls)
- Indiana Nonprofits Project: <https://nonprofit.indiana.edu/>
- Serve Indiana: <https://www.in.gov/serveindiana/resources-and-trainings/>
- Indiana Nonprofit Database
  - <https://www.stats.indiana.edu/nonprofit/inp.aspx>