



Fundraising with “Friends of” organizations

What are “Friends of” organizations? The term refers to a U.S. not-for-profit corporation that has been granted a tax exempt 501(c)(3) status as a public charity – and which has a primary purpose of raising funds in the United States to carry out activities overseas or make grants to an organization located in a foreign country. The term 501(c)(3) refers to a section of the United States Internal Revenue Code.

Why use “Friends of” organizations? They make donating money easier and more attractive for both U.S.-based individuals and U.S. private foundations, for several reasons, including that the donation to a charity may have tax benefits to the donor. “Friends of” organizations (as tax-exempt charities) may have certain tax savings in their operations compared to other organizational forms. For a discussion of their uses and alternatives see:

<http://www.trust.org/contentAsset/raw-data/9ac67b50-b2b2-44bd-8342-bb539bfdcb8d/file>.

Opportunities to serve alumni and supporters. A “Friends of” organization can hold networking, social, informational, and public relations events. While these events advance the fundraising aims of the organization, they also build community among alumni and supporters. In this sense, the organization can function like an alumni regional association abroad (see YaleGAL information on that topic, as well as regional associations in general). The types of programming and volunteering that promote a sense of community among this set of “friends” also create real friendships. Group involvement can help develop a culture of loyalty to the group itself and the foreign university, even when that is not part of the culture of the university itself. In short, **while usually intended for purposes of fundraising “Friends of” organizations can also help raise friends.**

How does one create a “Friends of” organization? Because creating a corporate entity involves legal matters, the short answer is get an attorney, and possibly an accountant. Corporation papers have to be filed with a state. A request for tax exempt status has to be filed with the U.S. government. Many states also require a separate registration as a charity in order to ask for money from people who live there. See <http://www.trust.org/contentAsset/raw-data/9ac67b50-b2b2-44bd-8342-bb539bfdcb8d/file>. The organization does not have to have the words “Friends of” in its name – and some now recommend against that: <http://nonprofitbanker.com/fundraising/are-%E2%80%9Camerican-friends-of%E2%80%9D-organizations-a-thing-of-the-past/>.

Legal regulations. “Friends of” organizations are subject to extensive federal and state regulation, so can be expensive or laborious to establish and maintain. The “Friends of” organization, and its board of directors, must be independent of the foreign organization. The Board cannot all be employees of that foreign university so it is an opportunity to use alumni volunteers. The “Friends of” organization cannot just be a conduit of funds from U.S. donors to the foreign organization. The “Friends of” organization needs a broader purpose than just channeling funds. It must fund specific projects rather than the foreign organization generally. See <http://www.trust.org/contentAsset/raw-data/9ac67b50-b2b2-44bd-8342-bb539bfdcb8d/file>, <http://www.cof.org/content/how-private-foundation-can-use-friends-organizations>, http://www.hurwitassociates.com/l_friends_legal.php, or <http://charitylawyerblog.com/2010/11/02/what-is-an-american-%E2%80%9Cfriends-of%E2%80%9D-organization/>.

Cultural considerations and potential conflicts. The legal requirement of independence and the need to grant alumni volunteers independence and authority may be difficult for foreign universities not used to a culture of volunteering or independent volunteer associations. The dynamics and challenges of fundraising within the U.S. culture of giving may not be understood by an overseas institution. Understand that money will not just flow in: every charity competes for donations with other charities – and competes for the volunteers’ time and talent. The administrative costs (whether in dollars or donations of time and talent) can be substantial to establish and to maintain the organization. In addition, foreign institutions need to be aware of U.S. political and cultural norms and that university actions affect the willingness of U.S. donors to give. In addition, a “Friends of” organization cannot (as a charity) be involved in lobbying the U.S. government, or participating in U.S. politics. Actions of “Friends of” organizations have constraints, including restrictions on grants that might be perceived as falling under “anti-terrorist” guidelines.

To achieve success, the overseas institution must be committed to support, coordinate efforts with, share information with, provide resources to, and thank volunteers for the “Friends of” organization. Giving notice when university professors or officials are visiting the U.S. is invaluable. Providing speakers from the university can be priceless.