

### Ready to Create a Library Foundation?

By creating a Public Library Foundation (a 501(c)(3) non-profit organization) the library is taking an active step in building proactive community partnerships and vocal advocates for the library. A library foundation is a separate legal entity formed for the purpose of enhancing and expanding library programs and services. A foundation is different from the traditional “Friends of the Library” efforts by involving non-library users as well as library patrons to increase awareness of library services and resources throughout the entire community.

The non-profit status of a foundation provides a platform for raising money and support. Donors may have a strong belief in the value of the public library yet do not wish to make their philanthropic gift to a public entity. They will, however, contribute to a non-profit, tax-exempt private organization: a library foundation. A library foundation provides that win-win-win situation: the donor has confidence in the organization and how their dollars will be spent and can receive tax benefits, the library gains support for needed projects, and the foundation achieves its goal of providing additional resources to the library.

A library foundation is usually established with the single purpose of raising significant sums of money for major activities such as library construction/renovation, other large capital projects, such as a new computer system, or providing an endowment for future library needs or enhancements. The activities of foundations, then, are usually planned toward more long-term financial matters and fund-raising activities and less toward more constant visible activities such as a Friends group might provide.

It is important that the roles of each organization be clearly defined at the outset to avoid confusion and prevent overstepping. It is also important for the foundation to distinguish itself from the Friends group and educate the community that it will be asking for private donations. For example, the Broward Public Library Foundation (BPLF) provides the following message:

“Fine libraires everywhere exist with public funds, but it is through private gifts that they flourish. The BPLF was incorporated in 1982 to provide books and materials that go beyond what is available through traditional tax-based funding. The non-profit Foundation is the catalyst in sparking private funding and endowments to ensure that a state of excellence is achieved throughout the library system.”

Sample Roles:

LIBRARY FOUNDATION	FRIENDS OF THE LIBRARY
To create financial partnerships Led by local “movers and shakers” Conducts large fundraising efforts Focus on the community as a whole	To provide grassroots support Supplies main corps of volunteers Handles small-scale fundraising Focus on library users and book lovers

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### Benefits of Establishing a Library Foundation:

- Grant Eligibility – Foundations have the advantage of being eligible for grants for which public libraries may not qualify. Most grantors require that recipients be qualified 501(c)(3) non-profit organizations. Also, many major grantors have a policy against funding tax-supported institutions but will provide grants to foundations.
- Sponsorships and Partnerships – Finding the right partner for your project is an art, and many companies like to be associated with the types of programs created by libraries.
- Planned Giving Opportunities – Planned giving is a way for donors to make gifts to an organization and receive financial and tax benefits. There are many options including Charitable Gift Annuities, Deferred Gift Annuities, Pooled Income Funds, Charitable Remainder Trusts, Charitable Lead Trusts, and the most common, Bequests. Retirement assets (including IRAs, annuities, pension plans, etc.) make a wonderful gift, because they pass tax-free to your library foundation.
- Cash, Stocks, Real Estate, and Life Insurance – Foundations can accept gifts for restricted and unrestricted purposes, providing donors with a tax exemption (to the extent qualified by law).
- Endowments – Gifts to create endowed funds are invested and only the income is spent on library needs. Endowments may be restricted by the donor or available for spending on programs or other uses as needed.
- Investment Opportunities – Foundations have the flexibility to invest their funds to maximize the benefit for the foundation and, eventually, the library. Investment options available to public agencies are usually much more restrictive.
- Community Support and Confidence – When people give to a foundation, they know that their gifts will be used as intended. Gifts may be restricted, making the giving even more appealing. For example, specified uses may include special collections, naming rights, annual reading programs, etc.

### Establishing a Library Foundation

A library foundation is relatively easy to establish but involves many steps. It is not something that can be done overnight. It takes planning, persistence, and patience.

The first step is to decide on the organizational structure of the foundation. The size and organization of the foundation board will vary depending on the needs and resources in the community. The key is to attract, recruit, and involve dedicated individuals in the community who will raise funds and visibility on behalf of the foundation. Operating policies, practices, and committees will evolve as the foundation grows and matures. Communication between the library board of trustees and the foundation board of directors is essential for success.

There are numerous structures but some of the key components to look at are:

- How much involvement should the library trustees have? Should they be on the foundation board, or should a liaison be designated?
- What type of staffing and support will the library be able to provide? Will the foundation be self-sufficient? Will there be a mix?

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- Will the foundation hire legal and accounting services? If not, who will handle these duties?
- What priorities will the foundation focus on and how can the foundation's structure enhance this?
- How will funds be dispersed? Will it be decided between the foundation Board, the library director, and the library Board of Trustees?

### Checklist for Establishing a Foundation<sup>1</sup>

- Determine if there is a need for a Public Library Foundation.
- Consult a lawyer to find out what the legal requirements for establishing a non-profit corporation are in Wisconsin and how to obtain federal and state tax-exempt status.
- Allocate funding from the library's Friends group to cover the expenses involved in establishing the foundation. Public funds from the library cannot be used to establish a foundation.
- Recruit interested volunteers to become the "first" working board of the foundation to draft, revise, and approve foundation documents needed to establish the foundation. Be sure to involve elected officials, library Trustees and other interested parties in the development of the foundation.
  - Define the need and draft the Mission Statement with this group.
  - Research, review samples and draft Bylaws and Articles of Incorporation.
  - Determine which foundation model best fits your needs.
  - Draft the foundation's Conflict of Interest Policy.
- File the Articles of Incorporation with the State of Wisconsin's [Department of Revenue](#) as a non-profit corporation.
- Obtain an Employer Identification Number (EIN) ([IRS Form #SS-4](#)) from the IRS.
- Open a bank or money management account for the foundation. Determine the foundation's accounting period and method.
- File for Federal Tax-Exempt Status. Resources below:
  - [Lifecycle of a Public Charity](#)
  - [Before Applying for Tax-Exempt Status](#)
  - Instructions: [Publication 557 Tax Exempt Status for Your Organization](#)
  - [Top Ten Tips](#) to shorten the tax-exempt application process
  - Training Videos: [Applying for tax-exempt status](#)
- Make a list of possible foundation members and Board of Directors and begin recruitment efforts.
  - It is usually helpful to have lawyers, bankers, public relations and marketing people as well as high profile community and corporate leaders serving on the full board.
- Hire a director for the foundation with fund development experience, if needed.
- Develop a long-range plan for the foundation and periodically re-evaluate it with your foundation Board of Directors, library director, and library Board of Trustees.

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<sup>1</sup> These are only general steps taken by many foundations to be established. This is not in any way meant to be legal or financial advice. It is highly recommended you consult an attorney and CPA practicing in your region to ensure you are complying with federal, state and local requirements.

### Merging the Friends & the Foundation

There are times when having two separate non-profits supporting the same library can create some overlap in responsibilities and some confusion on the part of the community at large. There are no rules that dictate that a Friends group could not add major fundraising activities, such as planned giving or a capital campaign, to its list of duties. By combining the functions of Foundations and Friends, the public library can create a cohesive organization that functions for the benefit of the public library without duplicating efforts and resources.

#### **Additional benefits include:**

- Allows the organization to create a comprehensive committee structure which provides individual members an opportunity to focus on an area where their passions lie.
- There is only one nonprofit organization that needs to recruit board members and file annual papers with the state and federal governments, thus reducing administrative overhead to run two organizations.
- Streamlines communication between the support organizations, library administration and library board.
- Improves accountability to the library due to professional staffing of key organizational positions.
- Eliminates the confusion of which organization local donors should support. Having just one organization makes it very clear where an individual's financial and volunteer support would go.
- More advantageous in small and rural communities which can decrease competition for strong, active board members.
- The mission is broad enough to apply to almost everyone, appealing to a broader cross-section of every community.

A merged model may provide the right support for the library and community. The library Board and Friends group will need to look at their particular community, partner organizations and library resources to consider whether a merged model is the right fit. However, if the Friends group indicates an unwillingness or inability to expand its fundraising efforts to meet the library's newly identified needs, it may be clear a new structure will be necessary.

#### **Sources:**

Trustee Essentials 24: Library Friends and Library Foundations, Wisconsin Department of Instruction

United for Libraries: "How to Organize a Library Foundation"

United for Libraries: Fact Sheet #25, "Planned Giving: What You Need to Know."

Starting a Library Foundation: "Aha" Moments & Lessons Learned, Shreve Memorial Library, United for Libraries Learning Live, September 12, 2023,

Friends vs Foundations Factsheet, Nebraska Library Commission, 2010

## **A Guide To Library Foundations**

Friends and Foundations, Part One: Separate organizations, similar goals, BY JANE RUTLEDGE, Friends of Tippecanoe County (Ind.) Public Library, The Voice, January 2010,  
<https://www.ala.org/altaff/sites/ala.org.altaff/files/content/foundations/orgtools/friendsfoundationspart1.pdf>

Friends and Foundations, Part Two: Is a merged Friends and Foundation right for your library?, BY PETER PEARSON, President, The Friends of the Saint Paul (Minn.) Public Library, The Voice, March 2010,  
<https://www.ala.org/altaff/sites/ala.org.altaff/files/content/foundations/orgtools/friendsfoundationspart2.pdf>

Establishing a Library Foundation: Planning, Persistence, Progress, Jeanne Thorsen, King County Library System Foundation

Community Partnerships + Advocacy = A Public Library Foundation, By Jan Cederquist, MLS, Alabama Public Library Service

Friends of Libraries Sourcebook, 3ed. Sandy Dolnick, Editor, "Library Foundations" by Kay Harvey.

"Library Friends and Foundations: Time for a Merged Model?" By Peter D. Pearson, with Stewart J. Wilson of The Friends of the Saint Paul Public Library (Saint Paul, MN)

"Foundations And Friends: The Advantages Of The Merged Model." By Peter D. Pearson, The Friends of the Saint Paul Public Library, (Saint Paul, MN).

### **Sample Bylaws:**

[Albuquerque \(N.M.\) Public Library Foundation Bylaws](#)

[Brentwood \(Calif.\) Library Foundation](#)

[High Plains \(Colo.\) Library District Foundation Bylaws](#)

[Tiverton \(R.I.\) Library Foundation Bylaws](#)

**Sample MOU:** [memorandum of understanding](#)

### **Additional Resources:**

United for Libraries: <https://www.ala.org/united/foundations/orgtools>

Non-Profit Internet Resources: Alliance for Non-Profit Management <http://www.allianceonline.org/>

Council on Foundations <http://www.cof.org> Foundation Center <http://foundationcenter.org>

IRS – Charities & Non-Profits: <http://www.irs.gov/charities/index.html?navmenu=menu1>

Donations to Libraries, Local Government Tax Status & 501(c)3 Organizations, Winnefox Library System,  
<https://extranet.winnefox.org/sites/extranet.winnefox.org/files/legalresources/501c3%20FAQ.pdf>

Candid Learning: How do I start a nonprofit organization?  
<https://learning.candid.org/resources/knowledge-base/starting-a-nonprofit/>