

# GRI Financing Framework

The GrassRoots Institute (GRI) functions as an educational community forum that enables Mendocino residents to research, discuss, debate and ultimately organize around common sense progressive solutions that benefit our community and the planet.

The successes of GRI have lead to increasing demands by county residents upon the organization's resources.

This framework is intended to outline options to provide funding to expand GRI's ability to respond to the county's needs. It presumes, GRI will want to bolster its capabilities by employing paid staff and media products (newsletters, social media, web pages, etc.) to more broadly fulfill its educational and advocacy mission.

## **Financing Options:**

1. **Participant Donations:** GRI's expenses to-date have been kept minimal and when necessary payed out of pocket by participants in GRI's activities. Expediency and need have driven this financing method, but it is inequitable (it puts an unequal burden on participants) and limiting (participants often have very limited personal financial resources often falling short of the required need).

2. **Membership Dues:** Most non-profits raise funds by establishing a membership program that encourages participants and supporters to provide an annual donation to finance operation & activities. Membership dues are usually graduated in order to encourage all members & supporters to help share funding burdens while also being sensitive that the ability to donate is unique to each supporter. Membership dues also help to solidify a sense of organizational ownership and commitment - the United Farmworkers Union famously demanded all union members to pay \$5 a month regardless of ability to pay. The union argued that sacrifice was needed to build loyalty and unity among the union's membership.
3. **Fundraiser Events:** Many non-profits organize concerts, dinners, carnivals, firework sales, raffles and auction events to raise funds. Done successfully these events can provide substantial funds of a one time nature. There is however always the risk that fundraising costs will exceed the revenues generated. Additional costs are usually up front while revenues must be collected often at or after the event.
4. **Donation Appeals:** Similar to event based fundraising, donation appeals usually entail some up front effort and costs which are later offset as donations are received. Donation appeals are often done through direct mail appeals, phone calling or email solicitations. Donation appeals are particularly

effective when they are tied to a specific organizational service or activity that has broad donor appeal - raising funds to buy public resources/land, raising money for activist lawsuits, raising money to pay campaign costs, etc..

5. **Grants:** Another way to fund GRI's educational and community development activities is to secure grants from public, private and foundation based sources. There are a number of funding sources that provide such grants and they can be a source of one time and/or on going GRI funding. Grants are usually linked to obtaining a 501(c)3 qualifying non-profit status. Grants also often come with reporting or performance requirements, such as annual reports on activities, performance assessments, independent grant conformance audits, etc.
6. **Tax Deductible Donations:** If a non-profit meets the requirements under applicable tax laws, donations to the organization can be used to lower the tax liability of the donor. Due to recent changes to tax laws not all donations even to qualifying non-profits result in a tax benefit to donors. Never-the-less, tax deductible donations remain a significant source of funding for non-profits meeting the IRS 501(c)3 requirements. Here are a few examples:
  - A. **Donor Advisor Funds** - Tax liabilities can be reduced for tax payers if they lower taxable income in order to stay in a lower tax rate bracket. One way

to do this is to set up a “Donor Advisor Fund” (DAF) and to donate sufficient taxable income into the fund to move the donor into a lower tax rate bracket. The donor can then designate some or all of the money in the DAF to a qualified non-profit. There is no time limit on when DAF funds can be spent, so donations to charitable organizations can be spread over several years at the donors discretion. Funds in DAFs are invested and the earnings from those investments add to the fund and amplify its charitable impact over time.

**B. Charitable Trusts** - Similar to a DAF, Charitable Trusts offer a way to shelter taxable income from tax liabilities and to alternatively invest in charitable non-profit entities. Trusts are often advantageous when the an estate’s heirs wish to continue the philanthropy of a person after their death. Trust donations can often be structured to provide a long term or even permanent revenue source to a non-profit. Trusts are also a way to allow the use of estate assets by a non-profit without actually transferring title to land or other assets.

**C. Investment Retirement Accounts (IRA) Donations** - Another way non-profits and donors can capture tax benefits is to donate mandatory minimum IRA payments directly to a qualified non-profit. IRAs allow income earners to defer taxation on income until a later date. When a IRA holder

reaches 72 years of age they are required to take mandatory payments from their IRAs, this can push the tax payer into a higher tax rate bracket. Tax law however offers an alternative that allows these payments to be made directly to qualified non-profits and thus avoid moving the taxpayer into a higher tax bracket.

- D. **Estate Donation** - These are donations that are directed via a will or living trust and are usually triggered upon death. Estate donations have the advantage of not diminishing the wealth of the donor during their life time and are contingent upon adequate wealth being in the estate after death. These types of donations are especially useful in transferring non-liquid assets such as land, a building or a business from an individual to a qualified non-profit.

## **Conclusion:**

There are a host of methods GRI could use to raise funds for its operations and expansion. Each has advantages and liabilities that should be considered as GRI determines its fundraising goals and strategies.

In developing financing strategies, GRI should consider embracing multiple strategies. A strategy utilizing multiple approaches will result in greater funding stability, latitude and flexibility in GRI's operations.