

“FRIENDLY” PRINCIPLES AND PROCEDURES

Tips for Friends' Groups



CLARE D. MEMBIELA,
MLS, J.D.

LIBRARY LAW
CONSULTANT,

LIBRARY OF MICHIGAN

MEMBIELAC@MICHIGAN.GOV

517-335-8132



THE RESEARCH, RESOURCES AND DISCUSSION THAT ARE PART OF THIS PRESENTATION ARE FOR INFORMATIONAL PURPOSES ONLY AND NOT FOR THE PURPOSE OF PROVIDING LEGAL ADVICE.

Libraries should contact their attorneys to obtain advice with respect to any particular issue or problem

Principles vs Practices

- Principles = The Culture, Beliefs, and Governance policies of an organization.
- Practices = Procedures and Policies that demonstrate the organization's culture, beliefs and governance policies.

- Principles without representative practices are simply ideas.
- Practices without principles have no weight and inspire little respect.

Principles

- Organizational Purpose
 - “Fundraising and capital support to the public library for services to the community”
- Organizational Ethics
 - Abide by Federal and State law
 - Incorporation
 - Reporting
 - 501(c)(3) limits on expenditures
 - Charitable Organization and Solicitation Act
 - Uniform Prudent Management of Institutional Funds Act
 - Privacy and Data protection
 - Liquor and Gambling requirements and limitations
 - Limit conflict of interest

Principles, etc.

- Maintain sound financial practices
 - Accounting and Reporting
 - Board Governance
 - Financial Internal Controls
 - Bonding if necessary
 - Adequate insurance
- Maintain Independence
 - Friends' (particularly board members) have a duty to the corporation
- Support Transparency
- Encourage and support DEI informed practices
- Support a cooperative approach to library support

Principles, Cont.

- Organizational Priorities
 - Identify fundraising opportunities for library support
 - Creative
 - Timely (Online, Crowd funding?)
 - Create and sustain fundraising projects and opportunities that have multi donor level appeal.
 - Estate planning opportunities
 - Small donor opportunities
 - Sponsorships
 - Book sales
 - Work with the library to implement fundraising projects that adequately fund specific library needs and plans.
 - Review library's strategic plan
 - Meet regularly with library representatives.

Practices

- **Clear Board Bylaws**
 - Follow bylaw requirements for terms
 - Include code of conduct/behavior in bylaws
 - No Library Board Member on Friends' Board.
- **Transparency/Accountability**
 - Financial reports
 - Meeting minutes
 - Donor inquiries
- **Sound Financial Policies**
 - Uniform Prudent Management of Institutional Funds Act
 - Internal Controls
 - Project Approval
 - Expert-informed investment practices
 - Reliable recordkeeping system



ADDITIONAL INFORMATION



Friends are Separate from the Library they Support.

- Not a government organization.
- Funds are not public funds.
- Not managed or operated by the library they support

Not a Government Organization

Friends must legally organize in order to fundraise in Michigan (or have a bank account for that matter).

1982 PA 162 Non-Profit Corporations Act

Bylaws

Articles of Incorporation

Board

The Friends' Board is a corporate board with specific legal duties and responsibilities, including a fiduciary duty to the corporation.

LARA [Filing requirements](#)

LARA [Corporations Page](#)

Online Look up

<https://www.michigan.gov/corpcitysearch>



Why this is important

If you are not formed properly, or if you do not file, you can be dissolved automatically

Establishment affects Friends' actions and what they can and cannot do.

Not knowing can waste time and money re-establishing or double filing.



501(c)(3) Entities

Enables group to be “Tax Exempt” and enables donor deductions.

Enables group access to large foundation and charitable grants.

- Internal Revenue Code section 501(c)(3)
- Must be a non-profit corporation
- Has reporting requirements
- Required to comply with regulations including ones limiting political spending

Libraries as 501(c)(3) entities?

- Public libraries in Michigan, as government entities, are already tax-exempt entities under section of the IRS code and can self-fundraise.
- Public Libraries often qualify to become 501(c)(3) entities. This status largely affects grant eligibility for public libraries.
- Libraries as government entities have more restrictions on fundraising than regular non-profit 501(c)(3) entities.
- This status does not have to negatively affect the Friends' activities. **Entities should coordinate efforts to avoid duplication and avoid soliciting the same donors.**

Friends' Funds Are Not Public Funds Until the Library Receives the \$\$

- Can be expended in ways different from Library.
- Funds belong to Friends' Corporation – not library.
- **Once funds are transferred to library, they become public funds.**
- Understand how the library you support is funded and how their budget is prioritized.
- Knowing the library's relationship with the municipality can be useful too.

Why is this important?

If fundraising, it is helpful to know how the Library is funded- where income comes from and how it is affected by outside factors.

Certain Library monies are restricted from certain types of spending.

Permits Friends to better communicate with potential donors



Charitable Solicitations Act

Governs Charitable Fundraising.

1975 PA 169, [MCL 400.271 et seq](#)
Exemptions = [MCL 400.283](#)

Administered by Attorney General's Office:

Helpful site - https://www.michigan.gov/ag/0,4534,7-359-82915_82919_80762---,00.html

Exemption – Make less than \$25K, organization run and managed by volunteers.



Fundraising Event Laws

- Gambling and raffles
- Alcohol
- Be careful about using Library facility for fundraiser.



Friends Are Independent

- Library Board does not govern Friends – only the library facility , staff and operations.
- Friends are not part of the library for purposes of insurance, use of staff, facilities, etc.
- Friends are not library staff or automatic library volunteers.
- **Friends should have a written agreement spelling out expectations and the use of library equipment, staff, facilities, and the expectations regarding the use of money raised.**
- Library Board Members may not be board members of the friends and vice-versa

Friends are Friends

- Understand Library's strategic plan and goals in order to sync donations with needs.
- Only the library can determine its needs and its plans- the friends and library board and director should communicate regularly to ensure that expectations of each are met.
- Stay current with issues in the library world in order to be conversant with and able to plan for resources the library may need.
- USE the library in order to be familiar with its operations and services so that the friends can be a cheerleader for the library with donors and can gather stories of how friends donations have made a difference.

Be a Friend

- Plan
- Communicate – ASK & LISTEN
- Comply
- Support
- Collaborate
- Respect

The Friends' and the library are allies for the same cause. Neither organization supersedes the other with respect to mutual projects.

Thank You for Helping Your Library and Your Community!



Resources

- [Friends of Michigan Libraries](#)
- [United for Libraries](#) (Click “Statewide Access” button, then find “Michigan,” then “register”).
 - Board Source
- [Attorney General Charities Resources](#)
- [Michigan Nonprofit Association](#)
- [Ballotpedia Nonprofit Regulation in Michigan](#)
- [National Council of Nonprofits](#)
 - [Fundraising Page](#)
- IRS [“Fundraising Guidelines for Charities”](#)

Laws

- [Michigan Nonprofit Corporations Act](#)
- [Uniform Prudent Management of Institutional Funds Act](#)
- [Charitable Organizations and Solicitation Act](#)
- [Attorney General's Charities page](#)
- [MI Charitable Gaming page \(Michigan Lottery\)](#)
- [Alcohol Licensing page \(MI Liquor Control Commission\)](#)
- [26 USC 501\(c\)\(3\)](#)
- [IRS Charities and Nonprofits Page](#)
- [IRS Charitable Solicitations – State Requirements](#)
- [IRS Tax Exempt Entity Look-Up](#) (Check status of 501(c)(3) and reporting)
- [LARA MI Corporation Look-Up](#) (Check Nonprofit Corp status and reporting – including copies of corporations' articles of incorporations, etc.)

Fundraising

- [Online Fundraising Compliance](#)
- [Webjunction Fundraising Courses & Webinars](#)
- [Library Strategies' "7 Unconventional Library Fundraisers That Worked \(and May Work for You\). \(pre-pandemic\)](#)
- [NY Library Association-Basic Fundraising Strategies for Libraries](#)