

MINNESOTA CHAMBER of COMMERCE

MINNESOTA BUSINESS GIVES

Strong Businesses, Strong Communities

Notes to Giving Certificate Worksheet
*Based on the Minnesota Keystone ProgramSM Standard**

The following notes will assist you in completing the Confidential Giving Certificate Worksheet.

- 1) The two percent target for a business establishment is based on the pre-tax earnings from the company's income statement.
- 2) Qualifying contributions of cash and in-kind donations include those made to charities, projects and organizations generally listed under the IRS Code Section 501 (c) (3) as well as to qualified units of government, including public schools.
- 3) A rolling three-year average may be used for establishments with wide swings in their business cycle as long as this method is consistently applied. Businesses in certain industries (i.e. banks, insurance companies, utilities and branches of divisions of national companies doing business in locations in Minnesota) may use customary business accounting methods to achieve the two percent or more target.
- 4) Contributions by affiliated foundations, whose major asset is the company's stock, are eligible.
- 5) For closely-held businesses, service corporations and partnerships, a combination of personal and business contributions is allowed. As a general rule, combined giving should be the equivalent of two percent or more of pre-tax earnings before deducting the principal owner's salary or partnership salaries and distributions.
- 6) Not-for-profit organizations that derive 80% or more of their revenues from fees and reimbursement for services may participate in this program if their discretionary charitable contributions exceed 2% of their excess revenues over expenses.

In addition to cash contributions, businesses may include in-kind contributions. The following guidelines should be used in calculating the value of these non-cash donations.

(Note: There is a difference in definitions used for purposes of calculating contributions for the Business Gives program and for tax planning purposes. Businesses are encouraged to seek the advice of a professional advisor for in-kind donations that will be used for tax purposes.)

Product – In-kind company product donations include goods produced and/or sold by the business, i.e., food and beverages, lumber and building supplies, toys, household goods, etc. Donations by printing companies that print flyers or sign making or screen printing companies that print signs or t-shirts are additional examples of businesses making in-kind contributions. These donations may be calculated based on the value of the businesses' out-of-pocket costs including time and materials.

Direct and/or associated cost of employee volunteerism – Businesses wishing to include employee volunteerism as an in-kind contribution may do so to the degree the business is giving away something of value. Employee volunteerism hours that qualify must:

- be calculated based on volunteer work that is conducted on company time.
- be calculated using actual cost or using the national average hourly rate of \$20.90 (source: Independent Sector)

Examples include paid release time for volunteering serving the community as a volunteer firefighter or EMT or working on a community project or committee for a nonprofit organization. Loaned talent, offering employees' time and expertise to help nonprofit organizations on company time, is another example of how businesses are making an in-kind contribution and should be calculated based on cash value for the loaned employee.

Professional services – If the business is a professional services firm donating its services for a nonprofit organization, the value of this in-kind contribution may be calculated as charitable donation. Usually, the time is billed and donated back to the charitable organization. Professional services firms include accounting, legal, public relations, advertising, graphic design and computer services. Examples of in-kind contributions include:

- An accounting firm assists a nonprofit organization in filling out forms for applying as a 501(c) (3) organization or its annual reporting requirements.
- A public relations firm promotes a nonprofit organization's event or handles media relations for crisis communications.
- A law firm advises nonprofit organizations on legal issues including property transactions or employee issues.
- A graphic design firm publishes flyers or invitations for a nonprofit organization's event or develops a logo and brand identity.
- A computer services firm assists a nonprofit by maintaining computer hardware or training employees on computer software.

Business services – Business services may include in-house printing, copying and postage and are calculated based on the business' out-of-pocket costs. Other business services include meeting space at a company, hotel or conference center and transportation.

Donated furniture and office equipment - Businesses that donate office equipment may do so based on fair market value or book value depending on their tax-planning situation. Examples include furniture, computers, fax machines, printers, phone equipment, shelving, trade show displays and other office equipment.

Administrative costs charged for contributions program – Businesses that have a formal contributions program may calculate the cost for administering the program and include this as an in-kind donation.

**The Minnesota Keystone Program service mark is owned by the Minneapolis Regional Chamber of Commerce.*

Minnesota Business Gives was created in 2004 by Building Business Investment in Community, a project of the Minnesota Council on Foundations, the Minnesota Chamber of Commerce and 12 Minnesota business and philanthropic organizations. *Minnesota Business Gives* is managed by the Minnesota Chamber of Commerce in association with local chamber partners.

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Confidential Giving Certificate Worksheet
Based on the Minnesota Keystone ProgramSM Standard*

Calculating Your Contribution Level

This worksheet, based on the Minnesota Keystone ProgramSM Standard,* is provided for your convenience only. **You do not need** to send back the worksheet. You have the option to use a computation method that best represents the conditions experienced by your company.

- 1) Your pre-tax earnings for your last fiscal year: \$ _____ (a)
- 2) Your contributions during your last fiscal year:
- Cash (includes securities and real estate at fair market value) \$ _____
 - In-kind contributions:
 - Product \$ _____
 - Direct and/or associated cost of employee volunteerism \$ _____
 - Professional services \$ _____
 - Business services \$ _____
 - Donated furniture and office equipment \$ _____
 - Administrative costs charged for contributions program \$ _____
 - Total Contributions \$ _____ (b)
- 3) Divide your contributions (line b) by your pre-tax earnings (line a) _____ %

If the result is 2% or more, congratulations – you qualify for recognition!

<u>Sample Calculations</u>	(1)	(2)
PRE-TAX EARNINGS	\$500,000	\$1,000,000
Cash contributions	5,000	10,000
Cash value of donated products	2,500	7,000
Cash value of employee volunteerism	1,000	2,000
Cash value of professional services	500	0
Cash value of business services	500	0
Cash value of donated furniture/equipment	250	500
Cash value of administrative costs	250	500
TOTAL CONTRIBUTIONS	\$ 10,000	\$ 20,000

Formula: TOTAL CONTRIBUTIONS	\$10,000 = 2%	\$20,000 = 2%
PRE-TAX EARNINGS	\$500,000	\$1,000,000

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