

## **Transferring Donations to a Library Foundation**

Initial question - This is a question where I think I know the answer, but I can't find any supporting documentation for that answer. Actually I can't find anything on this topic and wondered if you either knew the answer or had some suggestions on who to contact for help. Here's the situation. The library had private donations (including some larger donations) that were in a CD. They moved these donations over to the city, so that the city could do all of the accounting for the library. The library doesn't have a foundation at this point, but would like to start one. The board asked if they could move these donations from the city to their private 501c3 foundation once it was up and running.

I think the answer is no, but I can't find any reasons why. I'm guessing no, because it seems like it would be an auditing nightmare. It looks kind of funny to transfer monies from the city to a private foundation, and I'm wondering if it's totally legal if the private donors gave money to the library under the city's tax exempt ID and then it was switched to a private foundation. Those are my reasons, but maybe the library board could ask the city to do this. Do you know the answer to this one?

Response from Kay Gray, Department of Administration - July 12, 2011

I've discussed this issue with my colleagues here at the Local Government Services Bureau. It is our understanding that donations to a city for the library would be restricted revenues and transferring the money to a private foundation would not be an expenditure that would comply with that restriction. If the library board did not agree with that interpretation I would suggest they obtain a legal opinion to support its view prior to transferring.