CHAPTER 10
LIBRARY SUPPORT – FUNDRAISING, FOUNDATIONS, & FRIENDS

Most public libraries in Colorado rely primarily on a mill levy (a property tax) or municipal appropriations (funds from the city, county, or town). These core funds are the library's financial backbone, covering essential costs like staff salaries, books, resources, and utilities.

It's the library board's responsibility to ensure the library receives adequate funding from these main sources. Think of trustees as the library's primary financial champions!

Beyond tax funds, libraries build support through a great system of partners: the Board of Trustees, the Director and staff, dedicated "Friends of the Library" groups, and, in some cases, Library Foundations. Libraries also benefit from partnering with other local organizations like historical societies, schools, or senior councils—it's all about spotting mutually beneficial relationships.

United for Libraries, a division of ALA, is a support agency that provides support for governance, promotion, advocacy, and fundraising. They are excellent resources for resources, training, and support.

The following sections are intended for informational purposes and not intended as legal advice. Libraries and trustees should consult their own legal counsel for legal advice.

RELATED COLORADO PUBLIC LIBRARY STANDARD
COMMUNITY ENGAGEMENT

IN THIS SECTION, WE WILL EXPLORE:

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ROLES AND RESPONSIBILITIES: TRUSTEES, DIRECTOR, FRIENDS, & FOUNDATION

"Friends" groups and Foundations both build support and raise funds to bridge the gap between the library's budget and its critical needs. However, each entity has a distinct legal and operational role:

Entity	Primary Role	Key Focus
Trustees	Legal Governance & Core Funding	Securing public funds, policy setting, legal oversight, and public awareness.
Director	Administration & Management	Day-to-day operations and implementing board policy and vision.
Friends	Grassroots Support & Advocacy	Raising smaller amounts of money for programs and enhancements (e.g., Summer Reading, equipment) and generating public support.
Foundation	Major Fundraising & Long-Term Assets	Securing large gifts, managing endowments, and funding capital campaigns.

KEY DIFFERENCES AND BEST PRACTICES

Historically, Friends and Foundations differ in:

- **Who's Involved:** Friends are grassroots community groups; Foundations are often established by the library board and focus on corporate or major individual donors.
- **Fundraising Style:** Friends focus on broad community support (like book sales); Foundations focus on major gifts, bequests, and endowments.
- **Purpose:** Foundations are frequently created for a specific, large-scale purpose, such as funding a new building wing (a Capital Campaign).
- **Crucial Trustee Principle**: Supplemental funds must never be used to permanently replace the core public funding obligation from the government. Foundations should not fund cuts to the core operating budget. This is a crucial best practice designed to prevent the governing authority from intentionally reducing public funding knowing a private group will consistently backfill the loss.

That said, foundations can and should provide temporary funding to ensure service continuity during economic downtimes or periods where the library's ability to build essential operational reserves has been stifled by legal limitations (such as tax growth limits imposed by TABOR). The goal of this temporary foundation support is to stabilize services until core public funding recovers, not to permanently assume public financial responsibility.

PARTNERING EFFECTIVELY: THE MEMORANDUM OF UNDERSTANDING (MOU)

A Memorandum of Understanding (MOU) is a highly valuable tool for defining the working relationship between the library board, the director, and support entities (Friends or Foundation). It acts as a framework for collaboration and manages expectations—it is a signed understanding, not a formal legal contract.

To clarify roles, an MOU should detail:

- **Purpose:** Intent of the MOU
- **Objectives of Collaboration:** Why the entities work together
- **Ex-Officio Roles:** Which individuals from one board (e.g., a Trustee) sit as a non-voting member on the other board.
- **Communication:** Expected frequency and method of updates.
- **Engagement:** How the groups will coordinate joint events.
- **Financial Arrangements:** Procedures for requesting, receiving, and allocating support funds.
- **Staff Support:** The amount of staff time, space, and supplies the library provides to the support entity.
- **Decision-Making:** The Friends/Foundation understand they do not have a decision-making role for the library itself. They decide how to spend their funds after consulting with the library director and board and adhering to the library's strategic plan.
- **Performance Metrics**: Relevant if part of the library rather than a separate entity

Structure collaboration helps prevent duplication in fundraising and community engagement efforts. The ex-officio roles ensure transparency, all parties being informed, and awareness of the library's goals, focus, and ongoing projects.

WORKING WITH FRIENDS OF THE LIBRARY

Friends groups are typically set up as separate 501(c)(3) non-profit organizations. This separation is essential: as a separate entity, the funds raised are under the control of the 'Friends' and not the library.

The ideal scenario occurs when a Friends group raises funds and gives them to the library annually as an unrestricted donation, allowing the library director and board full discretion to apply the funds where they are most needed.

The strained, but common, scenario arises when a Friends group wants more control and decision-making over how their funds are spent, leading to restricted or designated donations (e.g., funding only the children's program, purchasing only a specific piece of equipment). While the results may "wash out" if the Friends and library are aligned on priorities, this dynamic underscores the need for clear communication.

Effective collaboration between the Board and Friends is therefore vital. It begins by using the Memorandum of Understanding (MOU) to explicitly document roles and expectations, ensuring:

- Appointing a board liaison (often the library director or a staff member) to the Friends.
- Providing the Friends with a "wish list" of items not covered by the regular budget to guide their fundraising efforts toward the library's strategic priorities.
- The board actively values, encourages, and expresses appreciation for the Friends' hard work and advocacy.

No trustee should serve on the Friends Board at the same time they are serving as a library trustee, as this is considered a conflict of interest. Trustees should be members of the Friends.

UNDERSTANDING LIBRARY FOUNDATIONS

Library Foundations are also separate 501(c)(3) non-profit organizations with their own board of directors, focused on financial backing.

WHY ESTABLISH A FOUNDATION?

Foundations serve distinct, high-level purposes:

- provide the library with an independent financial resource;
- encourage and manage planned giving, endowments, and major gifts;
- provide an entity eligible for competitive private and corporate grants restricted to 501(c)(3) organizations;
- fund enhancements, capital projects, and provide a buffer against possible service reductions during tough times;

Foundation funds, being privately raised, can often be invested with different restrictions than public (tax) funds. Library funds generated from tax dollars cannot be transferred for Foundation investment. Legal clarification for specific investment practices is always recommended.

Structure

Foundation structure varies based on its degree of integration with the library.

Model A: Foundation is a completely separate non-profit.

Model B: Foundation is a separate non-profit, but its staff are paid library employees.

Model C: Foundation is fully integrated as a unit or department of the library.

If a library board is acting as a foundation board with a 501(c)(3), they need to hold their board meetings separately as the Foundation has different laws of governance - non-profit not local government.

FUND MANAGEMENT & ACCOUNTABILITY

All funds—from grants, trusts, Friends, Foundations, endowments, and individual donations—are meant to supplement, not replace, the core public funding obligation.

Trustee Responsibility: Maintaining strong financial accountability is crucial for all support organizations. All parties must be cognizant of designated or restricted donations and what those mean for financial reporting.

DONOR STEWARDSHIP

Fundraising success relies on relationship building, not just the ask. Trustees and support group leaders should:

- Thank donors promptly and personally.
- Consistently communicate the impact of their gifts, showing donors exactly how their contribution enhanced library services

THE FUTURE: BLENDING ORGANIZATIONS AND ADVOCACY

Colorado has seen a significant increase in nonprofits, which has occasionally led to a reduction in volunteers willing to take on leadership roles for both Friends and Foundations. In response, some libraries are exploring blending these two organizations under one leadership structure. If the organizations are independent 501(c)(3)'s, it would be their decision and determination, not the libraries. This blending can increase efficiency, strengthen messaging, and reduce donor confusion by creating a single, cohesive fundraising identity.

Moving to a combined entity may have challenges including conflicting goals, priorities, and governance as well as a loss of identity. Organizations that choose to do this need to be thoughtful in their approach.

SUMMARY

Public libraries are not alone in advocating and funding. Nonprofit organizations such as “Friends” and foundations provide this support. Trustees must know the roles of the different organizations and establish clear roles and expectations through an MOU and relationship building. Trustees should also engage with these organizations as a member of the public including attending events, donating in campaigns, and being a member of “Friends.”

SELECTED TERMS GLOSSARY

Annual Appeal: Raising funds on a yearly basis, primarily through direct mail and email.

Bequest: A gift made through a will of personal and/or real property (cash, land, securities).

Capital Campaign: A fundraising program to support large capital projects such as renovations, new buildings, or major technology overhauls.

Designated Donation: A gift given for a specific purpose chosen by the donor.

Endowment Fund: A permanent fund invested to produce income (typically only the interest is spent) to supplement a library’s budget.

Planned Giving: An organized effort to encourage long-term commitments through deferred gifts such as trusts, bequests, and life insurance.

Restricted/Unrestricted Funds: Restricted funds must be used exactly as stipulated by the donor; Unrestricted funds may be used at the recipient’s discretion.

Spending Policy: The percentage of endowment assets that will be spent in each annual period (e.g., "four percent of the average value over the past four years").

Trust: A set of instructions left to a trustee with management authority over property (principal or capital) for the benefit of a named beneficiary.

TRY THIS

Being aware of your relationships with other organizations as well as responsibilities demonstrates you are an informed trustee.

INVENTORY

Identify all the MOUs that exist between your public library and other organizations.

Are they readily available to trustees for access and review?

When were they last reviewed as a board?

REVIEW

What is going right?

What requires review to either put into practice or reconsider inclusion in the MOU?

NEXT STEPS

When is the next board review to occur