

July 1, 1999

Richard C. Woltmann, Executive Director
Bay Area Legal Services, Inc.
Riverbrook Professional Center, 2nd Floor
829 West Dr. Martin Luther King Jr. Boulevard
Tampa, FL 33603

Dear Mr. Woltmann:

This letter responds to your January 22, 1999 request for an opinion on whether Bay Area Legal Services, Inc. (BALS) may use its LSC funds to support a foundation formed solely to raise funds for BALS. In particular, you asked whether the fundraising effort would violate the program integrity regulations in 45 CFR §1610.8. According to your description, members of your community would form a separate 501(c)(3) foundation for the sole purpose of raising funds for BALS. The foundation would have its own board of directors and would not engage in any restricted activities. BALS would support the work of the foundation with staff time and payment of certain costs.

The Corporation has long permitted the use of LSC funds for fundraising activities. According to the prior versions of the LSC accounting guides, fundraising expenses were considered a normal operating expense for LSC programs as not-for-profit organizations. The 1981 and 1986 Guides addressed fundraising as a cost that should be reported as supporting services. See 1981 Guide at 2-21; 1986 Guide at 2-1.10 (page 20). Although, fundraising is not addressed in the 1997 Guide, the AICPA Audit and Accounting for NPOs (June 1996)¹ and the Financial and Accounting Guide for NPOs

I hope this adequately responds to your inquiry. Please let me know if you need any additional assistance.

Sincerely,

Suzanne B. Glasow
Senior Assistant General Counsel