Nonprofit Observer

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How to secure lasting corporate support

According to Giving USA, businesses donated $18.55 billion to charity in 2016 (the last full year of statistics available). Even if your organization already benefits from this largesse, you'd probably like to increase the amount you receive from companies and find additional ways to partner with the for-profit sector.

Increasing corporate commitment is similar to establishing relationships with individual donors, but there are important differences. While emotional factors generally drive individuals to support a charity, companies need both emotional and *strategic* rationalizations. Similarly, individuals tend to give even when their budgets are tight, but companies often reduce their philanthropic activity in periods of lower profits or economic turbulence. How then can you find corporate support that will last?

Like-minded organizations

Unless you have unlimited development resources, you're probably better off focusing on companies with which you have a clear connection. Businesses like to partner with "natural fits" that share their goals, values, service areas and business strengths. And they often choose a single theme or focus.

For example, pharmaceutical giant Merck works with charities fighting to reduce maternal mortality around the world. And as part of its commitment to boost economic activity, JPMorgan Chase pledged $100 million in 2014 to help revitalize the city of Detroit — help that included deploying its "service corps" of employees to lend a hand to local nonprofits.

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Indeed, organizations that enable a corporate donor's employees to get involved often have an advantage. Private equity firm Blackstone's charity of choice is food redistributor City Harvest. Blackstone employees volunteer to do everything from providing strategic advice to the organization to handing out fresh produce to New York City's needy.

Companies may also be receptive to charities whose mission matches that of key executives' personal interests. For instance, marketing company Inspira donates to and raises money for a pediatric cancer charity, Alex's Lemonade Stand Foundation, because its founder's own child suffers from a rare form of the disease.

Proven management and results

It's not enough, however, for your nonprofit to match the general interests of a company or its CEO. You also need to be able to make a clear, compelling case that any corporate dollars will be well spent. Companies want to align themselves with

ALTERNATIVE IDEAS FOR MUTUAL GAIN

When you approach potential corporate supporters, don't just ask for a check. Some businesses may not be in the position to give generously at that moment. Or they may be looking for a different kind of relationship with your charity. Instead, brainstorm ways your nonprofit and the business can work together for mutual benefit. Here are a few ideas:

Gifts-in-kind. Many manufacturers and retailers end up with excess inventory that could be donated — if only the businesses knew whom to give it to. Say you run a food bank. You could contact local food producers, grocers, restaurants and caterers to indicate your interest in their unsold, but perfectly edible, goods.

Donated services. Most people are familiar with pro bono legal services, but other professional firms (accounting, PR, marketing, technology) may also be willing, even eager, to lend your nonprofit their expertise on a short- or long-term basis.

Volunteer programs. Consider organizing a day of service with a company that enables the entire office to participate (and still get paid) while your nonprofit tackles a major project (such as repainting your facility). Or ask local employers to consider implementing a "dollar for doer" program that makes financial grants to the nonprofits where their employees volunteer.

fiscally responsible organizations that can prove they get results. They're likely to ask such questions as:

- Is your organization self-sustaining?
- What kind of outcomes does it achieve?
- Are the outcomes both qualitative and quantitative?
- How much do you spend on programs vs. administration and other costs?
- What other forms of financial support do you receive?

Although most businesses understand the PR value of donating to or partnering with a charity, it doesn't hurt to remind them of the benefits — for example, tax breaks, community goodwill, increased name recognition and improved hiring and employee retention. Emphasize that donations are investments and that the work that donations make possible is a corporate giver's return on the investment.

Now more than ever

If you haven't aggressively sought corporate support in the past, think about making a greater effort to connect with these donors. Business donations have always been a critical source of revenue for nonprofits, but tapping this resource may now be more important than ever. A higher federal income tax standard deduction means that many individuals will no longer be able to deduct their charitable gifts, and donations to nonprofits are expected to decline in 2018.

However, please note that legislation has been introduced in Congress that would allow taxpayers to deduct contributions even if they don't itemize deductions. The proposed law would also eliminate the current caps on charitable contribution deductions. Please contact your tax advisor for information about the proposal and its current status. ●

Educating donors about what they can — and can't — deduct

Education may not officially be part of your nonprofit's mission. But while working with donors, you've probably noticed that many are confused about the federal tax deductibility of their contributions. To help prevent unwelcome surprises when donors file their returns, inform them about the tax benefits of different types of donations.

Cash, ordinary income and capital gains property

Donors who itemize deductions generally can deduct contributions of money or property. For example, cash donations (including those made by check, credit card or payroll deduction) usually are 100% deductible. However, the value of any benefit (such as tickets, meals or merchandise) donors receive must be subtracted from the deductible amount.

The rules aren't as simple for property. The deductibility of donations of *ordinary income property* generally is limited to the donor's tax basis in the property — usually the amount the donor paid for it. Donors can deduct the property's fair market value (FMV) less the amount that would be taxed as ordinary income or short-term capital gains (property sold within a year of acquisition) if they sold the property.

Donors of *capital gains property* usually can deduct its FMV. Property is considered capital gains property if the donor would have recognized long-term capital gains had he or she sold it at FMV on the donation date. This includes capital assets held more than one year. But there are certain situations where only the donor's tax basis of the property may be deducted, as in the case of intellectual property.

Tangible and other property types

Tangible personal property can be seen or touched — for example, furniture, books and jewelry. If your nonprofit uses donated tangible personal property for its tax-exempt purpose (such as when a museum displays a donated historical artifact) the donor can deduct its FMV. But if the property is put to an unrelated use — for example, a college sells the artifact — the deduction is limited to the donor's basis in the property.

Other common types of donations are:

Vehicles. Generally, if a vehicle has an FMV greater than $500, the donor can deduct the lesser of the gross proceeds from its sale by the organization or the FMV on the donation date. But if your nonprofit uses the vehicle to carry out its tax-exempt purpose — for example, a children's sports league that uses a donated school bus to transport kids to games — the donor can deduct the FMV. Be sure to provide Form 1098-C to your donor to attach to his or her tax return.

Property use. Say a supporter donates a week's stay at her condo in Hawaii for an auction. Unfortunately, she can't take a deduction because

generally only donations of the full ownership interest in property are deductible. The right to use property is considered a contribution of less than the donor's entire interest in the property. But there are some situations in which a donor can receive a deduction for a partial-interest donation, such as with a qualified conservation easement.

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Services. Donations of services — for example, when a personal trainer pledges a workout session as a raffle prize — aren't deductible as contributions. However, any related out-of-pocket costs, such as supplies and miles driven for charitable purposes (14 cents per mile), are deductible.

Observing limits

Donors need to understand that there are additional limits on charitable deductions. Starting in 2018, a taxpayer's total deduction can't exceed 60% of his or her adjusted gross income (AGI). But donations of capital gains property generally are limited to 30% of AGI and contributions to some nonprofits, such as private foundations, have different limits.

Because the tax rules regarding charitable deductions can be nuanced, encourage supporters who are making large donations or contributing unusual gifts (such as conservation easements) to work with a tax advisor. Although you can provide general information about deductibility, you don't want to anger donors or risk your nonprofit's reputation by potentially giving advice that turns out not to be true. To be safe, include a disclaimer in any donation materials stating that tax treatment information shouldn't be taken as advice for particular situations. ●

Nonprofits: You too could fall victim to a celebrity scandal

Celebrities — whether they're Hollywood stars, hometown sports heroes or local TV news anchors — can provide a big boost to the charities they publicly support. A celebrity can help raise awareness of your mission, attract new audiences, generate donations and change public opinion on an issue.

The flip side is that stars can also harm an organization by association. Accusations connected with the #MeToo movement have recently brought down many famous people and, in some cases, caused major headaches for the charities they've supported.

Collateral damage

In one of the more extreme examples, an arts foundation established by an award-winning actor was shuttered earlier this year after several people

accused him of sexual misconduct. But even charities whose ties to disgraced celebrities are more tenuous have experienced decreased donations and loss of public support. Of course, the risk of becoming collateral damage isn't new. Long before #MeToo, charities grappled with such PR challenges as board members arrested for drunk driving and major donors indicted for embezzlement.

If you're caught off guard in one of these scenarios, the first general rule is to act fast. A quick initial response should, if nothing else, acknowledge the reports, express concern and make your nonprofit's relationship with the accused individual clear. Follow up regularly as new details and developments emerge. It's important to remember that whether those associated with your nonprofit are actually guilty of a crime, ethical violation or bad behavior matters little in the court of public opinion. To protect your reputation, you need to create distance between your organization and the accused.

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What you can control

But don't wait for your nonprofit to make headlines for all the wrong reasons. Take these steps before a PR disaster to minimize the damage to your organization's reputation:

1. If you're considering partnering with a celebrity, thoroughly research his or her reputation, background, work and previous charitable commitments to help ensure they're consistent with your own organization's mission and values.

2. Work with your attorney to craft a "morals clause" to be included in contracts with

spokespeople. The clause should specify triggering events (for example, an arrest, a social media feud or even negative publicity) and authorize your organization to terminate the agreement with little or no notice.

3. Create a PR crisis plan. Decide who will speak for your nonprofit, roughly what they'll say and what forms of media (for example, press releases or press conferences) they'll use. Make sure support players — such as legal counsel and external PR consultants — will be available should you need them. And board members need to be prepared for emergency meetings and votes.

4. Even if your executive director is your organization's official voice, employees and volunteers need to understand their roles in a PR crisis. This starts well before there's an emergency. Establish policies and procedures for communicating with the public, particularly online.

5. Get to know your local media when you have good news to share. If local reporters are already familiar with your organization and its leaders, they're more likely to give you the benefit of the doubt and provide sympathetic coverage if the news is negative.

Best possible action

Public perceptions are difficult to influence at the best of times. But if your nonprofit finds itself at the center of a PR crisis through no fault of its own, the worst possible action is to take none. ●

Employee retention

Keep them if you've got them

In April, the U.S. unemployment rate fell to 3.9%, its lowest point since December 2000. That's great for the economy — but not so great for organizations struggling to remain fully staffed. Unfortunately, many nonprofits are in this position. They can't afford to pay employees as much as their for-profit counterparts and, thus, have a harder time recruiting and retaining people when the labor market's tight.

Nonprofits aren't powerless, though. If you currently have good people on the payroll, there are steps you can take to keep them. Consider these low-cost retention tools:

Work perks. Raises and robust benefits are the traditional routes to retaining employees, but there are other ways you can let employees know you value them. For example, research has found that a majority of workers crave greater control over when and where they work — whether that means a flexible or part-time schedule, the option to telecommute or more vacation time. Unlike health insurance and retirement savings benefits, these work perks tend to be relatively cheap and may (in the case of telecommuting) save your organization money.

Career development. All the money in the world won't keep an ambitious employee in a dead-end job. Learn what your nonprofit's employees hope to get out of their positions (besides money) and where they'd like to be in five, 10 or 20 years. Then provide them with a clear career path that rewards their accomplishments with greater responsibility and authority. Also make sure they have opportunities to learn new skills. If your budget allows it, you might reimburse staffers for taking job-related classes or attending professional seminars.

Acknowledgment and thanks. Many staffers simply want their work to be recognized. Praise good work at staff meetings and publicize achievements on your website or in your nonprofit's newsletter. And the next time an employee does something special, write a "thank you" note. Another gesture that's likely to be appreciated: Reward the staffer with an afternoon off or even an extra personal day.

Finally, don't underestimate the power of a positive workplace. Employees who like coming to work and enjoy the company of their co-workers, supervisors and clients are much less likely to look for a new job. Make sure everyone complies with anti-harassment and antidiscrimination laws as well as your own "house rules" governing conduct. If you receive complaints from workers about ill treatment, take them seriously and investigate. Failure to do so could result in the loss of a staffer — or worse. ●

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Expert Advice | Strategic Solutions | Personalized Attention
111 Deer Lake Road, Suite 125, Deerfield, IL 60015-9578
Tel: 847.267.3400 Fax: 847.267.3401 www.mannweitz.com

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