



Fast Fundraising Facts & Other Essentials

Advertising, the Internet and Unrelated Business Income

This month's article is reprinted with permission from Rhonda G. Williams, CPA, a Senior Tax Manager for Barraclough & Associates, PC, in Santa Fe, New Mexico.

As more and more nonprofits set up websites, questions regarding advertising and unrelated business income (UBI) are coming up more often. An organization with \$1,000 or more of gross UBI (from all sources, not just from the sale of advertising) must file a Form 990T and pay any applicable taxes. No rules have been established regarding the taxability of website advertising so the IRS has been applying existing sponsorship and advertising law. Sponsorships are not UBI...advertising is. An organization concerned that its website advertising income might be considered UBI should first learn about those rules before moving on to the nuances of website advertising and banner advertising.

Sponsorship or Advertising?

A sponsorship is described as the use or acknowledgement of a payer's name, logo, or product lines. An acknowledgement in the form of displaying the sponsor's name, logo or slogan is not considered an inducement to purchase. A sponsorship payment does not include advertising the payer's products or services. Income from sponsorship is considered to be a royalty which is statutorily exempt from the definition of UBI. Providing a hyperlink to another company's website is allowed.

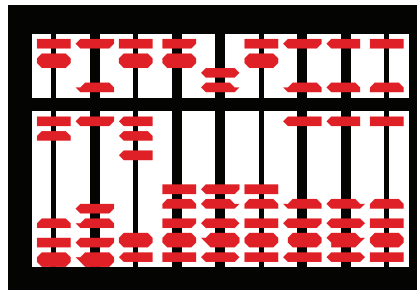
Advertising includes messages that contain qualitative or comparative language, price information, an endorsement, or an inducement to purchase, sell or use the payer's products or services. In regards to its own members, a nonprofit cannot provide any endorsement, promotion or other service which would encourage its members to use the products or services of that company. Providing services to the sponsor such as ad design or upkeep can push a sponsorship item

into the advertising category. Also, if the sponsor uses your organization's name in its ad, giving the appearance that your organization endorses its services, that ad would be considered an advertisement instead of a sponsorship.

Websites frequently contain banners or areas that contain information separate from the general content of the web page. These banners can appear anywhere on the page and usually contain information and hyperlinks. Sometimes the information is a commercial advertisement with a link is to the advertiser's website.

According to IRS training materials, a banner is similar in function to a link. Its purpose is to bring you to the website of the advertiser. In general, banners are larger than simple text links and are designed to function as an interactive electronic billboard. Some organizations charge a fee for displaying a banner, graphic or statement of sponsorship.

Generally, nonprofits tend to favor the less obtrusive sponsorship statements rather than the banner advertisement that is perceived as more appropriate to commercial sites and potentially more offensive to potential donors. Also, a moving banner is more likely to be classified as an advertisement subject to unrelated business income tax (UBIT) rather than a permissible statement of corporate sponsorship. The 1999 CPE Text discussion of Internet Service Providers supports the position that a link will retain the passive character associated with corporate sponsorship while a moving banner is more likely to be considered to be advertising...*continued page 2...*



Avoiding UBI and UBIT

To avoid UBI, organizations that sell website advertising should sell only sponsorships or static banner ads, allow only basic identifying information, provide no services or endorsements and inform the sponsor that it cannot use the organization's name in its own advertising materials. Since the law regarding website ads and UBI is still unsettled, organizations that sell website advertising need to watch for further developments in this area. Contact your tax advisor for further information.

Rhonda G. Williams, CPA gives workshops for nonprofit organizations and teaches continuing education classes on nonprofit topics for the National Business Institute. Her monthly newsletter "Nonprofit Notes" goes to approximately 150 organizations in New Mexico. Rhonda is licensed to practice accounting in Oklahoma and New Mexico and is a member of the American Institute of Certified Public Accountants and the New Mexico Society of Certified Public Accountants. Reach her at 800.983.1040.

Spice Up Your Auctions and Raffles

If your special event is getting stale (and I have to confess that I have attended many stale events), I ran across a nifty resource recently.

78 Ways to Spice Up Auctions and Raffles is a 45 page booklet packed with great ideas and real life examples of successful ways to put more punch into your events.

For example, there are new ideas for unusual live and silent auction items, ways to put your auction online, add excitement with other activities within the auction, event themes, set-up ideas, special activities, and more.

You'll also find ideas to get raffle tickets sold, managing multiple raffles, reverse raffles, car raffles, and more.

The booklet is printed by Stevenson, Inc. You can get it online or in hard copy for only \$59.95. Order your copy at www.stevensoninc.com.

It will definitely stimulate your creative thinking!

Diversify Your Revenue During Tough Times

OK, many nonprofits are beginning to wring their hands and cry about tough times. While it is absolutely true that in the short run money is tight, corporate donors are reducing their gifts, foundations are having to cut back on traditional funding and donors are looking more closely at their annual giving, there is something all nonprofits should be doing to minimize the risks to needed programs and services.

If you have not yet considered social enterprise as a critical tool in your resource development tool box, now is the time!

Social enterprise is *unrestricted, renewable income* that is generated through sale of intellectual property,

leveraging underutilized physical or technical assets, or sales of products or services.

Social enterprise is not a quick fix, but an investment in sustainability. My other training company, Social Enterprise Ventures, LLC offers in depth training and consulting in the 7 steps to becoming a successful social entrepreneur. We have worked with nonprofits throughout the US to help them launch successful earned income ventures.

Learn more about social enterprise at www.socialenterpriseventures.com and sign up for the free Internet newsletter.

Resources For Nonprofits

Here are some of my favorite resources:



The Society for Nonprofit Organizations. www.snpo.org.

Charity Channel.
www.charitychannel.org.

Board Source. www.boardsource.org.

Guidestar. www.guidestar.org.

Social Enterprise Alliance. www.se-alliance.org.

Nonprofit World Magazine published by the Society for Nonprofit Organizations.

Social Enterprise Ventures, LLC.
www.socialenterpriseventures.com.



TWO GREAT BOOKS for YOUR LIBRARY

THE ABCs OF BUILDING BETTER BOARDS and FAST FUNDRAISING FACTS FOR FAME & FORTUNE

The ABCs of Building Better Boards is just what you need to improve your Board's potential. It includes ideas for recruitment, retention and recognition and has some great forms for you to copy and use.

Learn how to deal with unproductive Board members and how to better define the roles of staff and Board. There is a chapter on financial and fiduciary facts, one on simple parliamentary procedure and much, much more.

Discover how Board Job Descriptions and annual Commitment Letters will dramatically improve your Board's effectiveness. See how a truly effective Nominating Committee will lead to a better Board.

Get good ideas for more efficient Board management and administration, including how to set up and manage effective committees.

It's only \$24.95 plus shipping and handling. Take advantage of a volume discount of up to 20% and give this book to all new Board members as part of their orientation.

The 3rd edition of **Fast Fundraising Facts for Fame & Fortune** is full of ideas to improve your fundraising, including how to ask effectively, special events essentials, the Board's role in fundraising and new ideas for fundraising.

Help volunteers get over the fear of asking for money and in-kind resources for your organization. Learn how marketing principles will make fundraising easier.

Learn about *Jean's Ten Rules for Fundraising Success* and apply them to your organization immediately. This book puts the **FUN** into **FUND**raising and gives good examples and ideas that really work, rather than using hard to follow formulas and theories.

It's only \$24.95 plus shipping and handling. Take advantage of a volume discount of up to 20% and give this book to all new Board members as part of their orientation.

Or buy both books for only \$45.00 plus shipping and handling.

HOW CAN I HELP YOU? TAKE THIS QUICKIE QUIZ

- Q: *Is your Board of Directors functioning at its highest level?*
- Q: *Is your Board up to date with federal regulations?*
- Q: *How successful is your current fundraising?*
- Q: *Do volunteers need help asking for money and in-kind resources?*
- Q: *Have you considered earned income as a resource development tool?*
- Q: *Are you having fun?*

**Please give me a call if you want to turn any
NO into a YES.**

"I attended your workshop in St. Louis and left there feeling so uplifted by your motivation. Your training - to make us all savvy marketers - has paid off. Even in this economy, our underwriting is up and our auction donations have blown away everyone in town! We simply feel empowered to ask anyone and everyone AND to tell them WHY we are their market. It's working! Thank you!"

Kirsten Wagmeister
Junior League of Evansville

"Jean conducted an extremely well organized and productive [Board] retreat, one that I can say with confidence that our members count as the finest ever conducted for us. Jean's follow-up report was in-depth and meaty, and both Board and staff have referred to it time and again. The knowledge of boardmanship the members took with them has made a remarkable difference in their levels of commitment and support."

Eileen Cook
Casa Esperanza

"Jean Block is a powerhouse in the nonprofit world. You don't move about these circles long before her name is prominent in the conversation. Her commitment to training, fundraising, motivating, and cultivation is unsurpassed. To say she is an influence is to miss the point. She gives new meaning to the word enthusiasm! You don't know Jean, you experience her! She is a force unlike any other I have ever met."

Randy Gleason
UNM Children's Hospital

"I attended the Corporate Sponsorship Workshop - WOW! You were amazing! What an OPPORTUNITY for me! Your presentation style was EXCELLENT. By far the best workshop I've been to in a long time (content and style both!)."

Vicki Kopplin
Epilepsy Foundation of Minnesota