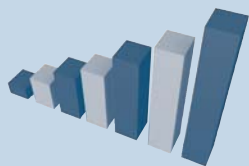


NFP ADVISOR

ADDRESSING IMPORTANT ISSUES IN THE NOT-FOR-PROFIT SECTOR

Fall 2009

Foundation Giving Directed to Women and Girls is Rising



The Sarbanes-Oxley Act and its Impact on Not-For-Profits



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Cause-Related Marketing Can Raise Money and Awareness

To secure new sources of income and expand public awareness of the work they do, growing numbers of not-for-profit organizations have joined forces with for-profit businesses in “cause-related marketing” (CRM) campaigns. A partnership that exceeds corporate philanthropy and sponsorship, CRM can prove mutually beneficial for both the charity and the company.

The term “cause-related marketing” was first coined in 1983, when American Express teamed up with a Statue of Liberty restoration project. For a limited period of time, the company agreed to donate one penny to the project each time an American Express card was used and one dollar each time a new card was issued. The campaign was highly successful for both parties: Nearly \$2 million was raised for the renovation of the Statue of Liberty, charge card transaction activity increased 27%, and new card applications jumped 45%.

Since then, nonprofit and for-profit businesses have found similarly innovative ways to combine their marketing campaigns. Not-for-profit organizations benefit by partnering with an attractive product or service, ideally one that is consumed by people who may become

regular donors. Besides receiving a portion of the sales price, the organization may add its logo to the company’s products and marketing materials, thus increasing brand awareness. Meanwhile, companies benefit by partnering with charitable organizations that people perceive as beneficial to society. Businesses count on gaining a competitive advantage as consumers spend with the knowledge that a portion of the proceeds of the sale will go to charity.

In addition to partnering with providers of products or services, nonprofits may establish “purchase plus” arrangements with retailers. For example, customers in a checkout line may be asked if they would like to add a donation to their bill. This approach can be especially

effective if it is related to an event customers are likely to be familiar with and sympathetic to, such as a food drive around Thanksgiving or Christmas, or relief efforts in the wake of a recent natural disaster. To avoid consumer fatigue, these CRM campaigns are usually limited to a short period of time.

While the best-known CRM campaigns involve large businesses and high-profile charities, these campaigns can work equally well on a smaller scale. Tie-ins between nonprofits and small businesses that are especially creative or poignant can also attract positive attention in the local press, and sometimes beyond, thus generating free publicity for the charity and the business. While developing

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Foundation Giving Directed to Women and Girls is Rising

Women's funds are becoming an increasingly influential force within philanthropy, and foundation giving specifically targeted to benefit women and girls is now higher than the rate of overall foundation giving, according to a study published by the Foundation Center and the Women's Funding Network.

Women's funds are grant-making entities that seek out and invest in women-led organizations and programs that are crafting solutions to core community challenges, including issues of health, human rights, domestic abuse, and economic empowerment. The study found that,

between 1990 and 2006, giving directed to women and girls by the broader foundation community grew at an inflation-adjusted rate of 223%, compared to an increase of 177% in overall giving. Results also showed that giving by the 55 women's funds analyzed in the study increased 24% between 2004 and 2006, compared with a rise of 14.8% in overall foundation giving in the same period.

Researchers noted, however, that foundation giving targeting women and girls still remains a small percentage of overall giving by foundations. According

to the analysis, the nation's private and community foundations increased their giving for activities targeting women and girls from an estimated \$412.1 million in 1990 to nearly \$2.1 billion in 2006.

"This study underscores that investments in women and girls can have big social returns," said Bradford K. Smith, president of the Foundation Center. "It suggests that women and women's funds will be increasingly involved in reshaping philanthropy and bringing to the fore important issues like human trafficking and domestic

violence that for far too long have been neglected." &



Cause Related Marketing Can Raise Money and Awareness

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CRM campaigns does require time and effort, these types of promotions are often far less expensive than traditional forms of marketing—for both the company and the nonprofit.

Before entering into a CRM partnership, the charity and the business should affirm that their goals and missions are in agreement and that cooperation would not present ethical conflicts on either side. For the business, partnering with the appropriate charity may represent an opportunity to spread public awareness of the company's values. While entrepreneurs are

business owners first, they also want to support worthy causes, especially when a charity's goals complement their business goals. For the nonprofit, a CRM partnership may provide the opportunity to link their organization to a trusted commercial brand.

There are, of course, certain risks associated with any form of partnership between for-profit and not-for-profit organizations. The wrong kind of merchandising deal can, for example, harm the image of the charity, especially if the products are controversial or are later found to be defective. A negative change in the company's reputation

can also tarnish the brand of a nonprofit associated with the business. In addition, the growing popularity of CRM can make it challenging to create a marketing concept that has the power to attract donations, without annoying consumers.

Moreover, concerns have been raised in the nonprofit sector that charities might avoid taking on more controversial or less publicity-friendly work to make their organizations more attractive to potential corporate sponsors and partners. In the past, however, successful CRM partnerships have even been built around causes

that were once considered controversial, such as AIDS research or domestic abuse. In some cases, the association between charities that address tough problems and respected corporate brands has helped to bring these issues out of the shadows.

CRM campaigns can be mutually beneficial and powerful tools. However, there are certain risks inherent in such a partnership. Be sure to consider all angles before partnering with any for-profit company and be sure such a strategy is in line with your mission and objectives. &

The Sarbanes-Oxley Act and its Impact on Not-For-Profits

The American Competitiveness and Corporate Accountability Act of 2002, commonly known as the Sarbanes-Oxley Act (SOX), was signed into law on July 30, 2002. Passed in response to the corporate and accounting scandals of Enron, Arthur Andersen, and others, the law's purpose was to rebuild public trust in corporate America. While nearly all of the provisions of SOX applied only to publicly traded corporations, the passage of SOX served as a wake-up call to many in the not-for-profit community that change was needed. Specifically, as a result of SOX, many not-for-profit organizations have adopted new policies and altered governance practices to enhance their self-regulation and to promote proactive behavior, particularly audit committees and internal procedures.

One of the main components of SOX required that organizations create an audit committee with members financially independent of the organization. While this was not, and is still not, a requirement specific to not-for-profit organizations, many have either created or started to develop their own committees as an extra layer of oversight.

Members of audit committees are typically comprised of non-compensated individuals that have the competency to understand financial statements and to make

sound financial decisions as part of their fiduciary responsibilities. Generally, it is strongly encouraged that one member be a financial expert, though SOX does not define what qualities a financial expert should possess. Also, organizations are encouraged to define the responsibilities and roles of audit committee members versus board members so that audit committee members can better perform their fiduciary responsibilities. A few of the typical audit committee's responsibilities are to engage the independent auditors, monitor the annual audit, review financial statements, and recommend approval of the appointment of the independent auditors.

Another component of SOX relates to organizations implementing various internal procedures to guarantee proper and ethical operations. In particular, SOX has directly impacted the internal procedures of not-for-profit in two ways: first, in requiring no retaliation against "whistleblowers," and secondly, in prohibiting document destruction in certain circumstances.

The whistleblower provision requires audit committees to establish a process for employees to report illegal activities and imposes criminal



penalties for actions taken in retaliation against anyone who reports such activities. If done effectively, whistleblower programs can be a leading method of detecting fraud within an organization.

The document destruction provision makes it a crime to cover up or destroy any document to prevent its use in an official procedure. Such policies define the guidelines for handling electronic files and voicemails in addition to paper documents.

Written policies related to internal procedures should be implemented and vigorously enforced to send a message that misconduct is not tolerated.

Without question, SOX has caught the attention of the not-for-profit community and resulted in increased financial oversight. Boards have begun to realize that improvements can be made in fulfilling their

fiduciary responsibilities to the American public. Whether future regulations are on the horizon that will further impact not-for-profits has yet to be determined, self-regulation and proactive behavior is always a prudent policy. &

ABOUT THE AUTHOR



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