

## Can You Partner with a For-Profit Company?

What are the pitfalls?

“The IRS will examine such a venture very closely.”

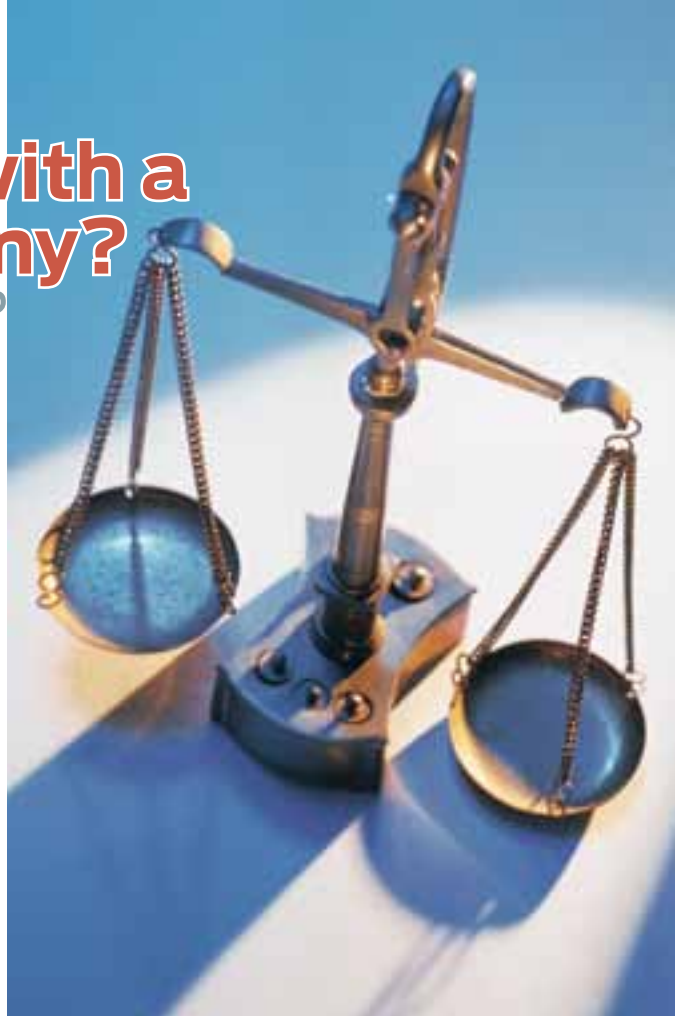
**Q** Is it possible for a 501(c)(3) nonprofit organization to go into a partnership with a for-profit business corporation on a 50-50 basis? Are there different tax issues involved?

**A** It isn't illegal for a charity to enter into a 50-50 joint venture or partnership with a for-profit entity. But the IRS will examine such a venture very closely.

The IRS basically takes the position that if the charity doesn't control the venture, then the venture, no matter how closely related to the charity's exempt purpose, is deemed to be unrelated business activity for the charity. A charity that conducts a substantial non-charitable activity can lose its exemption.

The IRS doesn't win all of its cases. But the administrative hassle may not be worth it. **S**

*Don Kramer  
Nonprofit Issues  
nonprofitissues.com*



## What's the Best Way to Recognize a Major Donor?

Should you thank large-gift donors differently from small-gift ones?

**Q** We are a small nonprofit and received a very large donation (over \$1 million) from a single individual, and a “thank you” letter seems inadequate. Are there any guidelines on recognizing individuals who make large donations?

**A** Congratulations on securing a major gift. Many smaller nonprofits don't know how to solicit or accept large gifts. They seem to be afraid of the money, much like some people are afraid to take a challenging job because they fear success.

The first question you should ask is: “What does my donor want? How would this donor like to be recognized?” That's the most important question. If you have a policy of recognizing large donors with a dinner, for example, and your donor hates the idea but goes along because the invitations are in the mail, you've met your needs, but not the donor's. And you've jeopardized an important donor's good will.

Different people like different things. I hate to sound like a “policy nag,” but you need a gift recognition policy. The first paragraph of that policy is a simple question: “What does the donor want?”

“You need a gift recognition policy.”

Have an honest conversation with your donor, or make it part of the solicitation. Donors need to be recognized in ways that are meaningful to them. Some donors like anonymity; others want 24 different news releases, a dinner, and special privileges for the next two generations of their relatives. Some donors are willing to use the recognition of their gift to leverage or inspire others. We like them best!

A gift recognition policy will help your organization think about opportunities to recognize donors at every level and set reasonable limits so that the recognition is appropriate to the gift. Having a policy also will encourage you to set different recognitions at different levels of giving, encouraging you to give adequate recognition to every donor, not just the very rich ones! **S**

*Jeane Vogel  
Fund Raising Innovations  
Nonprofit-Innovations.com*