

How Can You Present IRS Information to Best Advantage?

Don't forget the public-relations impact of your IRS documents.

Q Our 501(c)(3) charity was lucky enough to receive a \$30,000 donation to be used for a grant writer. Because this grant writer is an independent contractor (we have no paid staff), if we pay her about \$20,000 this year, as we expect, our 990 will look as though we spent a huge chunk of what we bring in (which is only about \$60,000 a year) on an independent contractor. How can we indicate on our 990 that we used money donated specifically for this purpose and did not take funds from program services? Even if we bring in \$75,000 this year, the amount we pay the grant writer will reflect that we spent more than 25% on “salary.”

A We have said for years that your Form 990 can be your most important public-relations document because it's instantly available to anyone in the world. So I agree that you should be concerned about the presentation you make. But I'm not sure that you're looking at it correctly in this case.

Assuming that the grant writer is actually an independent contractor and not an employee (see “Employee Or Independent Contractor?” at NonprofitWorld.org if you're not sure), a \$20,000 expenditure won't show up separately on the list of highly paid (more than \$100,000) independent contractors on either the full Form 990 or the simplified Form 990-EZ. (You can file the 990-EZ if you have less than \$200,000 in revenue and less than \$500,000 in total assets

at the end of the year.) The cost will show up on the Form 990 as a fundraising cost in Part IX and on Schedule G or on the 990-EZ as a payment to an independent contractor. Only if the grant writer is an employee will the cost show up as salary on either form. It will have to be allocated to fundraising if you use the Form 990.

If you're still concerned with the way it appears, you can always use Schedule O to explain that you received a temporarily restricted gift that could be used only to hire a fundraising consultant and that this expenditure didn't take any money away from your programs. (Your issue may not be that it's cutting into programs but that you're spending too much for what you're getting by way of increased contributions, especially since you don't project much of an increase.) You may also want to explain how you accomplish your program without staff. If you're using volunteers, you can talk about the value of the volunteer time and how you're leveraging that volunteer effort to make the program successful without salary costs. You have a lot of opportunity to show what you're doing on either form, especially with Schedule O, in a way that's honest but with an eye to the public-relations impact.

Don Kramer

Nonprofit Issues, nonprofitissues.com

Does Direct Mail Work for Small Nonprofits?

Can you raise money with a direct-mail appeal letter, or should you stick to online approaches?

Q We're a small, local nonprofit organization, wondering whether it makes sense for us to raise funds by sending out appeal letters. Would direct mail work for us, or should we focus purely on online fundraising methods?

A For most nonprofits in the U.S. and Canada, direct mail remains the best way to find new donors – as well as the best way to ask current donors to give again. Many people who give online were prompted to give by receiving an appeal through the mail. As repeated studies reveal, direct mail is how many major and mid-sized donors initially stumble across a charity's good work.

Smaller nonprofits can reap the benefits of direct mail just as well as large ones. And learning to write effective direct-

mail appeals is the best practical training you can get for all kinds of fundraising asks, including digital and capital campaigns. Direct mail continues to do the heavy lifting for charities across North America, and it can work for you, too.

*Tom Ahern, fundraising expert at moceanic.com and author of *What Your Donors Want*, aherncomm.com*

For detailed help in getting the most from direct mail, see articles such as these at NonprofitWorld.org:

Beyond Common Sense: Proven Tactics for Direct-Mail Fundraising (Vol. 25, No. 5)

What are the Three Most Boring Words in Fundraising Appeals? (Vol. 36, No. 2)