



NOT-FOR-PROFIT NEWS

2011 Volume 3, Number 1



Reaching Out With Social Media

By Jeff Kohn, Accountant

Social media has been growing exponentially over the last few years, and is creating new ways for non-profit organizations to reach out to potential contributors. This technology can be very helpful for non-profit organizations looking to get their message out to a larger audience. Some of the common social media websites are Facebook, Twitter, LinkedIn, YouTube, and various blogs. The concept of “tell a friend” has been around forever, but hasn’t been fueled by technology. For example, Facebook, which started in 2004, was built upon creating common interest user groups and keeping people connected. In the U.S., they have surpassed Google’s supremacy several times during 2010 as the Internet’s top online destination, at times with over 10% of all web visits nationwide. This shows us a fundamental change in marketing that is only going to grow in the future.

Social media has several qualities that differ from prior marketing techniques:

- Visuals – unlike email and newspapers, the web-enhanced experience allows for an improved use of photographs and video. For example, if a non-profit helps to raise money for hospitals in Africa, showing video of the conditions and photos of teams coming in to help can create a more powerful image of the mission of the organization.
- Permission marketing – by joining a Facebook fan page or LinkedIn group, marketers obtain permission before advancing to the next step in the contribution process. It creates a community of people who have expressed their interest and can tell others to join the group, which opens up the door for a level of communication that is very different from its predecessor of email. Creating these interest groups gives you the ability to have smaller donors over a larger audience, with the potential of major donors over time.
- Low barrier-to-entry – the technology is easy to use, and doesn’t cost anything for most of the media websites. Unlike a website that requires special programming ability

and overhead costs, you can get information on the Internet without any significant technological expertise.

- Blogging – this is a vast area that can be used in many ways. Blog posts can update the group with current events, trends, tips, related organizations, keep its members informed, and give you the ability to provide value in advance.

Social interactions such as attending mixers and putting on events are very important in order to have face-time with potential contributors. But in addition to that, thousands of people can become aware of an issue that would have normally taken years to promote. This technology is only going to expand and become more pervasive. The sooner you get involved, the easier it will be to understand the technological changes that will emerge from it, and the more you’ll be able to make your own personal use of these new avenues for reaching out.



Private Foundation Distribution Rules

By Mike Reimers, Senior Accountant

Creating a private foundation allows the founders to receive a charitable tax deduction when assets are contributed to the foundation, but then requires the foundation to adhere to certain rules in its operation. One requirement is that the foundation is required to distribute a percentage of its assets on an annual basis for charitable purposes. These expenditures include: expenses incurred by the private foundation in carrying out its charitable purpose, administrative expenses to carry out charitable purpose and contributions and grants to other organizations to accomplish a charitable purpose.

A private foundation is required by the Internal Revenue Code to distribute its minimum investment return (MIR). The MIR is 5% of the foundations assets, other than those used in carrying out the foundations exempt purpose. This is calculated by looking at the value of the foundations assets averaged over a twelve month period. This is easy if the foundation's assets consist of marketable securities. Assets such as works of art and property must also be included in the calculation, unless they are specifically used in operating the foundation. If the Foundation owns a building and



1220 Oakland Blvd., Suite 300
Walnut Creek, CA 94596

Did you know that California foundations receiving more than \$2 million in contributions and investment income in one year are required to have an audit?

Private Foundation Distribution Rules Continued from Page 1

a half of it is used for office space of the foundation, the other half must be included in the calculation. Real estate must be appraised every five years. The ability to make the 5% distribution is much more difficult for organizations that do not have sufficient liquid assets.

If a foundation makes distributions in excess of 5% of their non-charitable use assets they can carry-forward the excess during the "adjustment period" which is deemed to be five years. Carry forwards are prioritized so that the oldest of the carry forward distributions still eligible to be used are applied to the current year distributable amount first, and then succeeding years are applied if distributable amounts remain. This rule allows an organization to give a large donation, in one year, and then have subsequent years to rebuild the corpus.

Qualifying distributions must be made by the close of the tax year subsequent to the year for which the distribution is required. Failure to do so would result in a 30% excise tax on the undistributed amount for each year that the amount remains undistributed. For a private foundation with a tax year ending on 12/31/2010, the foundation has until the end of 2011 to distribute the calculated 5% distribution to avoid the 30% tax on the undistributed portion.

Though fairly simple to understand, the rules governing foundation distributions have some complexity.

If you need help figuring out your distribution requirements, give RINA a call. We're happy to help.



Established 1946
Member of MGI

475 14th St., Suite 1200, Oakland, California 94612
(510) 893-6908 / FAX: (510) 834-1522 / 1-800-RINA CPA

3200 Douglas Blvd., Suite 100, Roseville, California 95661
(916) 771-3000 / FAX: (916) 771-3252 / 1-800-570-0272

1220 Oakland Blvd., Suite 300, Walnut Creek, California 94596
(925) 210-2180 / FAX: (925) 210-2199

100 Montgomery St., Suite 2075, San Francisco, California 94104
(415) 777-4488 / FAX: (415) 777-0680

www.rina.com

Any tax advice contained in the body of this newsletter was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.