

SelfInformed

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ADVOCACY:

THE BENEFITS FOR NONPROFIT ORGANIZATIONS



Type “nonprofit organization” into a search engine and you will get quite a variety of definitions. If you skip the legalese definitions — such as a “corporation or an association that conducts business for the benefit of the general public without shareholders and without a profit motive”¹— you will discover that there is an interesting definition that pops up:

Nonprofit organizations are devoted to furthering a specific social cause or advocating for a particular point of view.

Nonprofits tend to be very good at focusing on the first part of this definition; that is, doing things to further their organization’s social cause. Too often ignored, however, is the second portion of the definition: advocacy. This is a mistake. In an era where non-profit organizations are competing for funding while stretching their resources, advocacy can be an amazing tool to help nonprofits increase their outreach.

Why do so many for-profit corporations go public? It is in order to reap the benefits of having the public-at-large invest in their company.

Not-for-profit corporations can tap into the same public support through advocacy. In short, advocacy is garnering public support (and funding) for your organization’s cause.

There are three questions that must be answered in order to understand how advocacy can best help nonprofits. The first is whether nonprofits are legally allowed to advocate; the second is whether advocacy has any benefit for non-profit organizations; the third is how nonprofits evaluate the effectiveness of their advocacy.



If you feel that you really need to perform lobbying, and it may potentially violate the restrictions on a 501(c)(3) corporation, then you should consider starting a separate nonprofit 501(c)(4) organization. Although donations to a 501(c)(4) nonprofit are not tax-deductible, there are no restrictions placed upon any political activities taken by a 501(c)(4).



THE LEGALITY OF ADVOCACY

The law is very clear that nonprofit organizations may not participate in partisan political activities. The penalty for doing so is quite severe: a nonprofit organization will lose its exempt status. This is where the difference between advocacy and lobbying becomes very important. Political lobbying includes activities such as supporting particular candidates, making financial contributions to political parties or campaigns, creating political action committees, or creating partisan voting guides. These activities violate the law, and, as a couple of religious nonprofit organizations found out in the 1990's, can endanger the organization's nonprofit status.²

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A 501(c)(3) nonprofit organization must not engage in partisan politics, and should not do anything that advocates for or against specific candidates or political parties.

Advocacy, when done properly, can be entirely legal and beneficial to a nonprofit organization. Moreover, when advocacy is done well, it advances the nonprofit's mission and goals. Proper advocacy can take the shape of publicly educating and commenting on issues of key importance to your organization, educating candidates on the issues important to your organization, and weighing in on decisions made by government agencies.

THE BENEFITS AND IMPACT OF ADVOCACY

Advocacy has a long-lasting impact because its outcomes include:

- influencing policy development and adoption
- improving government policies
- increasing public awareness about issues
- changing the public's attitude and values regarding significant topics
- increasing the public's involvement

Moreover, advocacy efforts will specifically help a nonprofit because they will:

- strengthen support from other people and groups
- increase awareness of the organization and its cause

The work of nonprofit advocates is to motivate members of the community and policy creators to get involved in the organization's cause. In order to best accomplish this goal, nonprofits should plan and set goals for an advocacy campaign. Goals should include some form of the following:

- improving public policies
- strengthening the organization's base of support
- improving the nonprofits relations with other groups

- creating change in the lives and conditions of the community³

Keys for an effective advocacy campaign include:

Specific Advocacy: A vital element for organizations to be effective in their advocacy is to be precise and purposeful. Nonprofits should target a specific cause for their advocacy, and then work like crazy to gain funding, support, and exposure for that particular cause. Take, for example, a nonprofit corporation that champions internet based businesses. Considering the national scope of its constituents, it would be a mistake for that nonprofit to try to advocate for or against every piece of local and state legislation that could affect internet businesses. Instead, the nonprofit should focus on advocating Congress in Washington, D.C. As Steve Jobs put it, “Quality is more important

than quantity. One home run is much better than two doubles.”

Media Advocacy: A powerful tool that nonprofits should utilize is media advocacy. Imagine the benefits of having a steady stream of publicity for your foundation’s issues and activities. By creating and cultivating a relationship with the media, a nonprofit’s advocacy can bring attention to its mission, its fundraising efforts, and its volunteer needs.

Board Member Advocacy: A nonprofit’s board members are an excellent internal resource to utilize in advocacy efforts. Board members frequently have connections to those who develop public policy. Additionally, they generally have influence in the community, which can assist with fundraising and volunteer efforts. To ensure that board members who advocate for

nonprofits do not violate any laws, rules should be developed regarding who can publically speak on behalf of the organization and what the criteria is for public policy positions.

Long Term Advocacy: An important part of successful advocacy is sustaining the efforts once they have begun. As Confucius stated, “It does not matter how slowly you go as long as you do not stop.”

EVALUATING ADVOCACY

Evaluation of advocacy efforts is necessary for two reasons. First, it provides the nonprofit with an opportunity for ongoing feedback. Secondly, it provides the organization with credibility when discussing the nonprofit’s cause with other people, most especially potential funders.



NONPROFIT ADVOCACY SUCCESS STORY

When a small Alzheimer’s Association in Washington, D.C. received a donation of \$140,000, they weren’t sure how to put it to best use. At first they thought about using the money to provide care to local Alzheimer’s sufferers. Although this seemed like a good idea, the reality of what the \$140,000 could provide quickly sank in — it would only buy one hour of care *per year* for the 33,000 local Alzheimer’s patients. The association wanted to do more, so they decided to try advocacy. The group used a portion of the money to hire an advocate to perform work aimed at the legislature. The strategy worked — big time. A new law was passed which provides the families of Alzheimer’s patients around one million dollars per year for respite care. In effect, the advocacy efforts turned \$140,000 into one million dollars *per year* for the nonprofits cause.

REFERENCE:

Lobbying Success Stories: Examples of How Nonprofit Lobbying Has Changed Organizations and Changed Lives. Center for Lobbying in the Public Interest (2005). Retrieved from <https://www.councilofnonprofits.org/sites/default/files/documents/SuccessStoriesRvsd.pdf>



Ask the Expert:

Determining Reasonable Salaries

Q: *My wife and I own a limited liability corporation. We just elected to be treated as an s corporation. We are trying to determine salary levels, and I read something about how the owner's salary must be greater than employee's for s corporations to minimize the chance of an IRS audit. What criteria should we use to establish our salaries?*

A: The key for the s corporation and the audit issues are not that an owner's salary must be higher than an employee or any other ratio type analysis but only that the wages be "reasonable" in connection with the services provided. The underlying economics of the situation will always be the key factor in the reasonableness of the wage payments.

When we talk about reasonable compensation, most of us think of the big New York bankers or investment brokers and we talk about how much they make and think that it is unreasonable because the wages are so high. The s corporation issue is the reverse. The concern in the eyes of the IRS is that the wages are too low and therefore intentionally avoiding payroll taxes, FICA, Medicare, etc.

You should find some third-party support for the wages you pay yourself for the work you and your wife do. For example, is that an hourly wage that is common for people who do what you do? Is there a trade association or membership for your industry that does a salary survey of your type of job? Are there other people in other companies doing what you do and, if so, what do they earn? Providing some third-party support for the wage you choose is the key to answering the IRS question if they ever actually ask it of you.

Keep in mind that there is no process or decision or safe harbor that will prevent or even materially decrease your chances of being audited. So concentrate on the underlying economics of your situation, always consider the support for "reasonable" salaries, document your decisions, and then just be successful and let everything else take care of itself.



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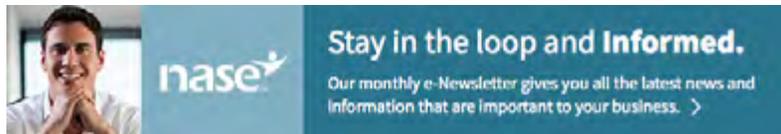
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- ▶ Preparing an Audit Proof Tax Return
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- ▶ **Properly Fund Your Business**
- ▶ **Develop Good Financial Habits**
- ▶ **What You Don't Know Can Hurt You**
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Member Spotlight



Searching for Self-Employment

Tim Smith is the owner of WorkerRental.com based in Amherst, Ohio. WorkerRental works as a hub for Self-Employed residential workers. The goal of WorkerRental is to connect self-employed small business owners who provide services that typically are needed around the house to homeowners who need those services. By cutting out large businesses, Tim hopes that the relationships built by those who use the site will help prove the value of small personalized business solutions.

When and why did you join the NASE?

I joined the NASE in April 2016 for two reasons: I am self-employed as the owner of WorkerRental.com and am always looking for and open to business advice. Additionally, since WorkerRental.com is geared towards self-employed residential workers, joining a group that is specifically my target demographic only made sense to me.

What inspired you to enter the field you are in?

A few years ago, I was looking to do some side work (I am an electrician of 25 years) and was struggling to find a way to market myself without spending any money. I was certain a website existed that would be set up like a dating website, but instead of finding a date, one could find a local self-employed worker (or somebody that did side work). When I found no such website, I decided to create one!

When and why did you start your business?

I began thinking about the website around 2012. When I realized it was a unique idea, I brainstormed a lot and began writing everything down. I wanted an easy way for self-employed people to find jobs. Hiring self-employed people is win-win, the homeowner pays less than they would to a big corporation while the self-employed person makes more per hour than they would as an employee. The feedback rating system helps the member feel comfortable that they are hiring a qualified worker.

What challenges have you faced in your business?

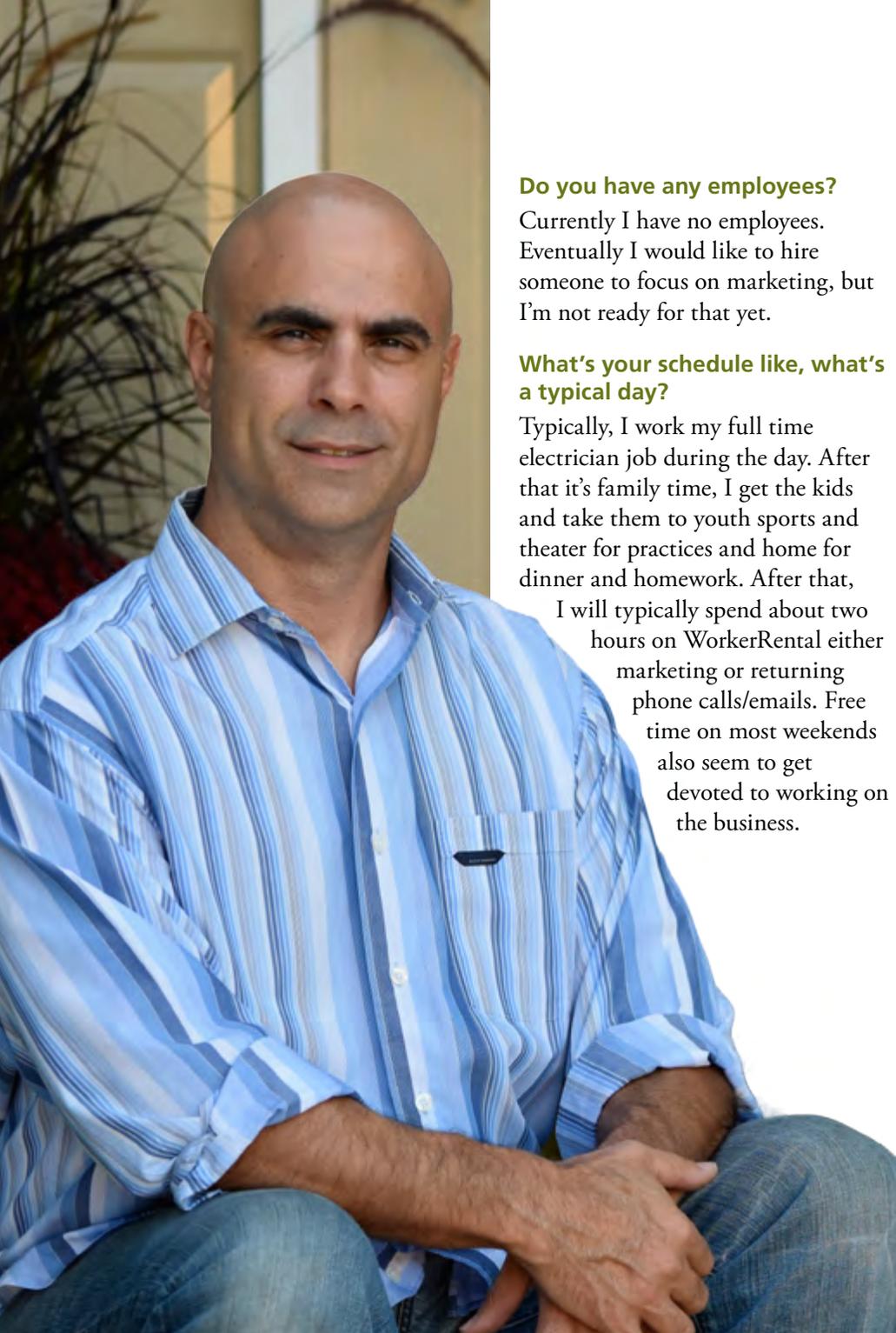
Since the website is completely free to use, people often think of it as “too good to be true!” Adding to that the fact my name is very generic (Tim Smith) and it really gives people pause to believe in the legitimacy of the



website. I overcome this by placing all of my contact information, including my personal phone number on the website. I want people to call me with ANY questions. I explain to the callers that the website is legit and that I will eventually make money by offering optional upgraded profiles when the website grows. Marketing is also a challenge, as it is for most businesses, especially since the website currently generates no income. Since I have no income from the website yet, all marketing is at a loss.

How have you overcome this marketing challenge, how do you currently market your business?

I currently have ads running on Facebook and YouTube. I am cold-contacting self-employed people to inform them of my service. I also have LinkedIn and Facebook profiles, and engage on social media as much as possible! Since this is a completely free service, I try to keep my advertising costs as low! Also, I have sent brochures to a lot of Small Business Development Centers and encourage them to hand out the brochures to people that might benefit from having a profile on the website.



Do you have any employees?

Currently I have no employees. Eventually I would like to hire someone to focus on marketing, but I'm not ready for that yet.

What's your schedule like, what's a typical day?

Typically, I work my full time electrician job during the day. After that it's family time, I get the kids and take them to youth sports and theater for practices and home for dinner and homework. After that,

I will typically spend about two hours on WorkerRental either marketing or returning phone calls/emails. Free time on most weekends also seem to get devoted to working on the business.

What's the best thing about being self-employed?

I'm technically still an employee during the day, so I'm not exactly full time self-employed, but the best thing about WorkerRental.com for me is building the website from just an idea to a full functioning website that can help society as a whole. So generally speaking I really enjoy the creative freedom and ability to see my vision come to fruition.

What's the best compliment you've ever received from a client?

I've had people call me that were skeptical of the website and tell me all of the research they did to make sure it's true. When people tell me they thought WorkerRental.com was too good to be true and then find out that it is true and they appreciated the site; that makes me feel good.

What is the most important piece of advice you would give to starting their own business?

Aside from creating a free profile on WorkerRental.com, I would encourage people to check out Fiverr.com. I have had a lot of work done from people on that site and most of it for less than \$20 per job. More broadly speaking, if you have an idea, don't be afraid to step out and make it a reality.



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PRESIDENCY, SENATE, AND HOUSE ALL UP FOR GRABS IN 2016

For all accounts 2016 has turned into a once in a lifetime election that has thrown wide open not just which party will lead the White House, but what party will control the Senate and House. The safe assumption for many political observers in the midst of the primary calendar is that the House would remain safe in Republican hands and that the Republican majority in the Senate while possibly being chipped away ever so slightly, would remain in Republican control and that the fight for the White House would be the main event on November 8, 2016. It is safe to say that any pre-conceived notions or assumptions have been tossed out

the window in what has become an eyebrow raising political cycle.

At the top of the ticket are two candidates that are competing to be the least liked. Meanwhile, down ballot candidates on both sides are at times fighting their own party and also trying to carefully walk the line between being seen as political outsiders but also having enough political capital to be effective in Washington, D.C.

On November 9, 2016, the country will have a President-elect and a Congress that looks dramatically different than it does today and yet, the issues that face the country

remain the same: education, unemployment, opportunities for business growth, access to capital, and solvency of entitlement programs.

While the NASE can't make any predictions, the challenges and opportunities to advance policy and common sense solutions to the challenges that face the 23 million self-employed and micro-business owners are tremendous. On November 9, 2016, rain or shine, Democrat or Republican President, NASE members will do what they do every day, wake up and run their business and that is what we are here to help you do.

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