

NFP

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With 2004 a major election year, it's a good time to brush up on the rules of political advocacy for NFPs. What do you need to know about lobbying and political activity? Well, that depends on what type of NFP you are, what political advocacy you engage in, and how much your organization spends on these activities.

NFPs engaged in politicking must comply with certain tax rules. Failing to do so may result in excise tax or the loss of tax-exempt status. The rules governing lobbying and political activity vary depending on the organization and its exempt purpose. For example, social welfare organizations and trade associations have relatively more latitude than charitable organizations.

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Enhance Performance with Capacity Building

NFPs of all sizes face the challenges of effectively meeting their goals with the financial and human resources at hand. Whether the pressure to enhance performance stems from outside your organization (e.g., a funding agency) or from inside (e.g., members), there are strategies that can help you affect positive change. Capacity building refers to the actions an NFP takes to improve its ability to achieve its mission. It affects all levels of an organization, from management to volunteers, but goes beyond maximizing an organization's human capital; this process also examines, modifies, and betters current systems and structures.

There is no easy formula for capacity building. The steps your NFP takes toward positive change will be individual to your organization and specific to your mission. However, there are some fundamental building blocks any NFP looking toward a more efficient future should consider:

Vision. Enhancing performance begins with clearly defining your organization's goals. What, exactly, is your NFP trying to accomplish? From this simple starting point, you can begin to measure your effectiveness and develop strategies to better achieve your objectives.

Leadership. Strong management will help inspire change. Leaders who successfully steer the

organizations toward their ultimate objectives are able to tap human capital and make the necessary structural changes internally, as well as maximize their external resources. Some of the important leadership steps capacity builders take include collaborating with other organizations, implementing technology solutions, training staff, improving knowledge sharing, and enhancing community outreach.

Time. Change takes time. A solution in one area of an organization may raise questions in another. Establishing a reasonable time frame and practical expectations can help you maintain momentum without alienating key participants. Capacity building happens in stages, which typically include assessing current performance, developing strategies, executing a plan, and evaluating progress. This process rarely happens quickly but can be efficient.

With vision, leadership, and time, your NFP can strengthen its organizational capabilities and more effectively achieve its goals. Along the way, there are firms and grants to assist you in the process. For more information, visit the Alliance for Nonprofit Management online at www.allianceonline.org and Grantmakers for Effective Organizations online at www.geofunders.org. ♦

AN IMPORTANT DIFFERENCE: LOBBYING VS. POLITICAL ACTIVITY

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There are two basic types of lobbying: *direct* lobbying and *grassroots* lobbying. Direct lobbying refers to activities that attempt to influence specific legislation through communication with legislators, government officials, and employees involved in formulating the legislation. Grassroots lobbying is defined as attempting to influence specific legislation by affecting the opinions of the general public.

NFPs that are tax-exempt under IRC 501(c)(3) are allowed to lobby with certain monetary restrictions, but are prohibited from political activity such as participating in the campaigns of candidates running for public office. This limitation applies only to candidates for elective office,

however, and not to nominees for *appointment* to public office.

During an election year, supporting or opposing ballot initiatives or referenda is another form of lobbying NFPs may wish to participate in. Although influential activities typically focus on the general public, this kind of advocacy is generally considered direct lobbying because voters are considered "legislators" voting on specific legislation. Spending must comply with the appropriate IRS lobbying limits, as well as any state campaign laws.

There are many influential actions NFPs can take that are considered neither lobbying nor political activity. Issue advocacy can draw attention to key areas of concern for your NFP, without

Strategies for Effective E-Mail Campaigns

In a web-savvy world, e-mail is an increasingly valuable tool with the ability to reach thousands of members and prospects at a very low cost. Is your NFP keeping up with the times? Are you website obsessed but e-mail negligent? E-mail creates opportunities to send personalized messages to targeted audiences and gives them the chance to take immediate action online. Use these ideas to get your campaign started:

Here's Looking at You. You build your website to make yourself known, but it can also allow you to become acquainted with your target audience. An e-mail sign-up option on the home page is a great way to build a mailing list. In addition, online surveys can help you gain valuable information about your target audience and can be used to customize future communications.

A Little FYI. Many organizations send out print newsletters, but not e-mail newsletters, which can be a costly oversight. For example, let's say you are trying to raise money for current flood victims. The e-mail can go out right away, including poignant photographs and firsthand accounts. It can be filled with links to your website, your online surveys, and can give the reader the chance to



make an immediate online donation. E-mail newsletters allow the reader to visit your NFP long after your site's bookmark is forgotten.

Who Gets What? While e-mail can deliver your fundraising message to thousands, you will still need to learn who is responding to what. Segmentation is the process of tracking your reader's response to your message. If a user clicks on a link of specific interest, consider sending an automated follow-up e-mail on that subject. There are many software tools available to facilitate this process.

Remember, intriguing subject lines should produce e-mail communications. You want to spark the reader's interest while avoiding spam triggers, such as "free," "today," "immediate," "now," etc. The recent anti-spam law excludes NFPs, but some triggers can still trigger a spam report. Your next campaign can be the most effective and successful, however, with a creative, intelligent, and personal message to your supporters. ✧

mentioning specific legislation or endorsing a candidate. Addressing broad issues, such as the environment or education, is one way an NFP can help further its cause without lobbying.

Volunteers are also a great resource. Because lobbying activities are calculated for tax purposes by tallying expenditures, volunteers can help minimize costs for the organization. As far as members are concerned, communications from an NFP to its members can express an opinion on specific legislation without that counting as lobbying; however, if the NFP calls for action, that is considered direct lobbying.

How much lobbying is permissible? Again, it depends on your organization and its purpose.

501(c)(3) NFPs are permitted to lobby, provided these activities are considered "insubstantial." The simplest measure used by the IRS defines "substantial" as expenditures related to lobbying that exceed 5% of an organization's operating budget. Organizations looking for a little more leeway can elect to use the 501(h) expenditure test, which uses a sliding scale to determine allowable amounts, sets an overall limit of \$1,000,000, and restricts grassroots lobbying.

This is just a brief overview of some of the complex issues NFPs need to address when considering lobbying or political activity. Call us for specific guidance. We can help you play by the rules and further your cause. ✧

Is Your Organization Protected Against Identity Theft?

Stealing the personal information of an individual to commit fraud under his or her name is a growing crime, but did you know that if your NFP is the source of the identity theft, then it could be held liable? To safeguard the information of your staff and your donors, make a list of the information you possess. Detailing what, why, and when information is collected, as well as your steps for privacy protection can be extremely important if a security breach occurs. Here are some additional safety measures:

- Restrict access to records containing personal data. These files should be protected by a password that changes at least every six months.
- Collect only essential information. The more unnecessary data you possess, the greater your responsibility and liability. When data is no longer needed, promptly delete electronic files and shred paper records.

- Be vocal about your privacy policy and make sure that all staff members are aware of privacy procedures, as well as the consequences for breaching them.



Staff, members, and donors are the lifeblood of an NFP, so you must take every step possible to protect their identities. If you suspect that your organization has sustained a breach of privacy, report it immediately. The Federal Trade Commission offers further security tips, as well as reporting procedures at www.consumer.gov/idtheft.

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