SHINE BRIGHT NATURE CENTER

Specialty Insurance Program

Partnering with For-Profit Companies for Success

Adequate funding is essential for a nonprofit organization, and partnering with a corporation, known as cause-related marketing, can be a lucrative option to guarantee revenue. According to a report from the Independent Evaluation Group (IEG), a company specializing in sponsorships, North American companies spent an estimated $2 billion on cause-related partnerships in 2015, an appetizingly large pool of potential revenue for nonprofits. However, risk in these relationships tends to fall disproportionately on the nonprofit partners, either because they are putting their most substantial asset at risk, such as their name, or because their hope for financial support can cloud their exercise of due diligence. These errors can result in a loss of public trust or in costly litigation.

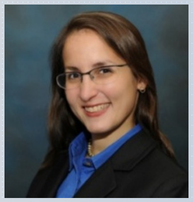
What's more, cause-related marketing campaigns are subject to registration, contract and disclosure requirements in many states, and they often have potential federal tax implications on the beneficiary nonprofit as well. It is crucial that when embarking on a marketing venture with a for-profit company that nonprofits realize what is at risk and take steps to protect themselves and their names.

An Annual Fundraiser Without All The Work?

Fundraising costs money, not to mention staff time and organization. An insurance review from Marshall & Sterling is easy, can save you money, *and* add complimentary safety resources to your organization. Since insurance is a yearly expense, you can think of your newfound savings as an annual fundraiser - *without all the work.*

Call us today and see why nature organizations are making the switch to Marshall & Sterling.

Irene



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Just Press Play!

Do You Even Need Cyber Insurance for your Nature Center?

In this short video we'll discuss the importance of cyber liability insurance, and the coverage you need.

[Click to watch!]

What is the Risk?

When a for-profit company uses a nonprofit name to increase revenue and add to corporate profits, the conditions of payout are much different than in a philanthropic exchange. Often, a corporation will press to have its name or products appear prominently in the nonprofit's media outreach efforts. When it allows itself to become an advertiser for the company, a nonprofit risks being seen by the public as having sold its good name to a for-profit brand, or worse, having deceived the public by condoning an unworthy product. This erosion of public trust can be extremely detrimental to a nonprofit organization.

Liability and Litigation

In rare cases, a nonprofit could risk litigation from disillusioned consumers for breach of duty. These lawsuits can be extremely costly and lengthy. Further, should conflict arise with the partner corporation, nonprofits risk costly lawsuits for breach of contract. It is prudent to think twice before entering into a contract with a corporation, no matter the sum, as potentially negative consequences could greatly outweigh benefits.

What Can Be Done?

There are several steps a nonprofit organization can take to protect itself when considering a partnership with a for-profit corporation. First and most importantly, it is fundamental to thoroughly evaluate a potential for-profit partner's reputation. Examine its record for telling the truth in its ads, verify all statements and figures released to the press and check that in the past, allocation of funds has been as promised to partners and the public.

Important considerations to revisit when entering into a potentially risky relationship with a corporation include the following:

- Your name is your most valuable asset, and it should not be underpriced.
- Cause-related marketing is a business deal, and differs from philanthropy.
- Ensure that payment and use of your name are on your terms, and control all uses of your name. All promises should be in writing.
- Federal and state regulations may apply to cause-related marketing transactions. Ensure that you are in compliance with all applicable laws. State laws may pose a particular challenge, as solicitation campaigns must abide by the laws in every state where funds will be raised.
- Check every deal you make with an accountant and an attorney.
- As the nonprofit, you bear most of the risk. For this reason, you should carefully consider the financial cost of the relationship.
- Establish an organization-wide policy for cause-related marketing ventures, and build on it as your organization gains experience.

Transferring Risk

Beyond taking these preventive steps, it is important to ensure that you are properly covered should you become involved in litigation for breach of contract or breach of duty. A Directors' and Officers' (D&O) insurance policy serves this purpose, and it is fundamental for all nonprofit organizations. Volunteer statutes do not suffice to fully protect the organization from liability.

Let Us Help

It is important to protect your organization by making prudent decisions regarding cause-related marketing partnerships. Contact our insurance professionals at Marshall & Sterling's Shine Bright Nature Center Specialty Insurance Program for more information about transferring your risk with insurance and for other risk management solutions for your organization.

Marshall & Sterling Insurance
Shine Bright Nature Center Insurance Program
www.naturecenterinsure.com

Marshall & Sterling INSURANCE

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