

# Too Close for Comfort?

## Appropriate Separation and Activity for a Sister Foundation

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# Sisters...sisters...

- Sister organizations
- Not parent and subordinate



# The genesis of the relationship

- To further their own missions and provide the opportunity for charitable fundraising and development revenue, many associations established related charitable foundations.
- In some cases, foundations (or other 501(c)(3) organizations) establish related associations to undertake activities that their tax status inhibits or prevents.

# Benefit of a foundation

- The primary benefit of a foundation is that it provides a means for association members, and others who wish to support the foundation, to make charitable contributions and receive charitable deductions for activities related to the association's profession or industry.
- To be eligible for favored tax-exempt status under Section 501(c)(3) of the Internal Revenue Code ("Code"), a foundation must be created for charitable purposes, namely, "charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the prevention of cruelty to children or animals."

# What's the difference?

- The mission, purposes and principles of an association and its sister foundation often are closely tied, yet the differences between them must be recognized.
- While a membership organization focuses on promoting and advancing the members of the profession or industry, a related foundation typically promotes or supports education, research, or other programs that benefit the public.
- As such, a foundation may play a direct role in providing education and supporting research or similar activities of the related association, as long as those activities are consistent with the foundation's tax-exempt purposes.

# Foundations are apolitical

- In return for favorable tax treatment of contributions, tax laws place limits on a foundation's permissible activities.
- The Code limits a foundation's lobbying activities to "no substantial part of its activities" and entirely prohibits a foundation from engaging in any political or campaign activity.
- As a result, the foundation must be clearly separated from any political, campaign, PAC, or lobbying activity carried out by the association to avoid jeopardizing the foundation's tax-exempt, charitable status.
- It is important to seek legal guidance before engaging in any activities about which the organization may have questions.
- Focus on education, research, science, charity.

# Separation: Not always happy

- The separate identities of both organizations must be preserved and their activities carried out consistent with their differing tax-exempt statuses.
- At the same time, many associations typically establish some type of control over sister foundations through rules or structures embedded in the foundation's corporate governance documents.

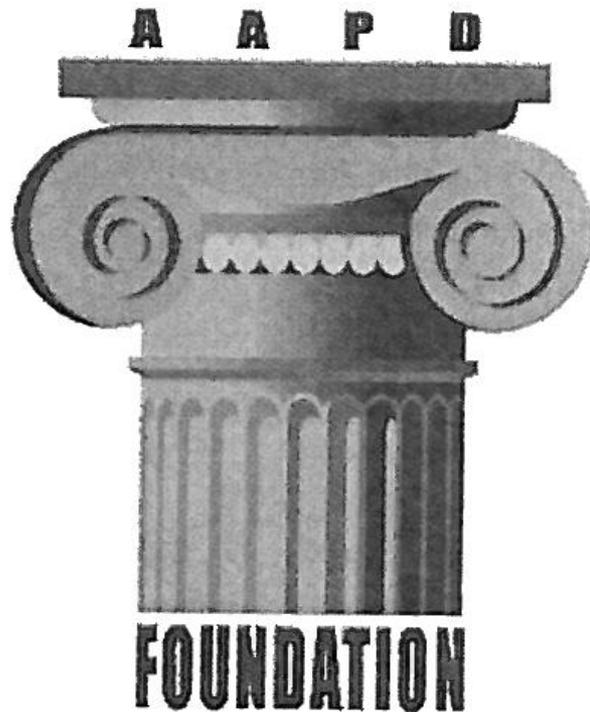
# Pitfalls of association control

- Among the models used, alone or in combination, are:
  - The association's board has the authority to appoint foundation directors, remove foundation directors, and/or approve amendments to the foundation's bylaws and/or articles of incorporation
  - Partial or complete overlap of association directors or executive committee on the foundation's board.
  - The association's CEO serves as the foundation's CEO.
  - The association's CFO serves as the foundation's CFO.
  - Overlap in staff, office space, and services.
  - Foundation grants to the association.

# Branding frames the issue

- A class of goods identified by name as the product of a single firm or manufacturer.
- A human need to distinguish among things.
- How you tell your story.
- A set of expectations and promises.
- Underlying values of a unique culture.
- The communication of messages, products, and services.
- It's not just about the logo...though the logo is important.

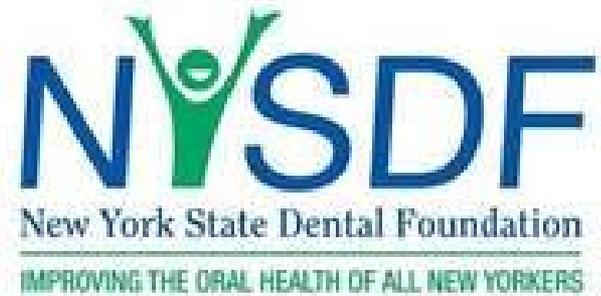
# Which conveys the idea better?



# What's the difference?



# There is a difference



# Separate, but equal



# Different paths to the same goal

The AAP advocates for periodontists.

The AAP Foundation supports the specialty's academic and scientific infrastructure.

The goal of both organizations is clinical excellence for practitioners and patients.

Playing nicely in the same sandbox





# feeding tomorrow

The Foundation of the  
Institute of Food Technologists

# Walking the tightrope

- The Foundation needs to be related to the Association, but with its own identity.
- Separate, easily-identifiable communications, publications, website, and social media.
- Its own events and programming.
- Identify markets for service and support. They will be different from the association.
- Coordinated outreach to corporate and institutional sponsors to increase both visibility and revenue.
- Corporate support the key for smaller foundations. It represents 50% of AAPF's annual support.
- Double billing of the organizations when appropriate.
- The Association should not fear the Foundation.

# Formal Agreement

- Respective missions, objectives, activities, and spheres of responsibility
- Decision-making guidelines and processes
- Staff and organizational reporting relationships, resource commitments, compensation and liabilities
- Partnership in events, communications, public relations, and solicitations of support
- Legal, financial, and operational structures
- Intellectual property issues
- Conflict resolution process

# Two different animals...

## two different skill sets

- Association

- Business league
- Economic interest
- Members
- Board represents members
- Too often the swan
- Too often doesn't know what the Foundation does

- Foundation

- Altruistic entity
- Charitable interest
- Benefactors
- Board represents mission
- Too often the ugly duckling purportedly living off the swan's money
- Too often the reward for past association officers!

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