

Accepting Cannabis Donations for your Non-profit Organization: Risks, Rewards, and Best Practices

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Should we or shouldn't we?

Fundraising is an almost constant task for any non-profit organization. Securing diverse revenue streams is imperative for the maintenance and growth of a non-profit's mission. From quaint bake sales to grants to million-dollar raffles, the variety of ways a non-profit may use to raise donations are almost endless.

Whether big or small, any of these activities, while necessary, also take focus away from the good work a non-profit is trying to provide for their community. Donations from companies and corporations tend to have the most ROI for a nonprofit and therefore are very sought after. The good is that most companies in the United States and even abroad, have giving as part of their corporate culture. The bad is that they tend to be hard to secure and more and more are looking for more from their giving, everything from direct impact to marketing impact.

For those small businesses and large corporations who do give back to their community through support of non-profits, their reasons may vary, but all of them enjoy the positive PR and tax benefits for their donations. You'll regularly see statements and logos on packaging with messaging such as 'for every sale a portion of the proceeds benefits XYZ'.

The labels '**Corporate Social Responsibility**' and '**Cause Related Marketing**' are the impetus for their **participation** and have proven to be very powerful tools in the competition for market share and brand awareness with customers.

But what about Cannabis companies?

The good news is there are few industries with as much opportunity and competition as cannabis, and they are highly motivated to develop their own CSR efforts, including giving back by supporting non-profit causes. The specifics of cannabis legalization vary from state to state. Some, like Vermont, just allow personal possession and minimal cultivation but not the sale or distribution of cannabis products. For states like Colorado, which allows the production, cultivation, and sale of cannabis products and includes taxes, the collected tax revenues are in the millions and much of it is going to good use such as building and improving school properties, as well as a treatment and education programs to address the impact of cannabis on society.

Even with the myopic policies of the federal government still labeling cannabis a Schedule 1 drug, threatening states' rights, and denying cannabis corporations the same tax benefits as other businesses (including pharmaceutical, tobacco, and alcohol companies) when donating to a non-profit, **there are still plenty of cannabis companies who want to give back and support their community. They are actively seeking local non-profits with which to partner and donate.**

Is it legal for a non-profit to accept a donation from a cannabis company?

This is where it gets tricky. A tax-exempt 501c3 status is a federal designation with the Internal Revenue Service. As mentioned above, the cannabis company is already denied any tax benefits for making a donation, and some believe that any non-profit who accepts a donation from a cannabis company will jeopardize their 501c3 status, or at the very least be denied any future government grants (if applicable).

In addition, there is a federal law known as **280E** which is used to keep illegal drug money from being laundered in legal ways. Again, since the federal government sees cannabis sales as an illegal activity, even in states who have legalized it through their laws and constitution, it still applies. What is unknown is if it will ever be enforced. The previous administration didn't revoke the law but instead took a hands-off approach which allowed states to decide on their own how to proceed. As of the writing of this paper, the current administration has not made clear its intentions for the cannabis industry and thus, continues to be debated in Congress and the final result is still to be determined.

Surprisingly, this may be good news for non-profits as cannabis companies NEED you.

In their efforts to grow locally and continue legalization efforts nationwide, cannabis companies are looking to advance the public perception of their businesses. They already provide a lot of benefits in terms of commercial development, employment, and services, but many look to do even more.

Every cannabis company knows the value of positive PR is priceless. It provides an opportunity for them to craft the conversation and be seen in publications otherwise denied to those in their industry. (There are numerous laws and policies from mainstream publications which deny the advertising of cannabis brands and products.) A story about how a cannabis company is supporting a non-profit, and the good your non-profit provides to the community, however, is not only allowed but often so compelling the publications WANT to promote the relationship and awareness. This is a benefit to both the non-profit as well as the cannabis company.

Some municipalities, as part of their licensing of marijuana, require community engagement and or social support from the company applying for the license. While these efforts are intentionally loosely defined, the objective is the same; cannabis companies need to show they give back to their communities.

What to Consider Before Accepting Cannabis Donations

If you think your non-profit would be interested in accepting money from a cannabis company, here is a brief checklist for consideration:

1. Will your non-profit grant the same rights, public recognition, and benefits to a cannabis company as you would any other corporation?
2. Has your Board of Directors approved your organization's acceptance of donations, in-kind product, and/or volunteers from a cannabis company?
3. Does your non-profit currently rely on government grants?
4. Will other donation sources be jeopardized?
5. Will accepting a cannabis donation be perceived as a conflict with your mission?
6. Are you familiar with 280E and what cannabis companies can and cant do? Are you willing to put in the time and energy to speak with the cannabis company's compliance officer?
7. Board members are the fiduciary agents of your nonprofit, therefore they can be held personally liable if the federal government were to enforce federal laws around 280E. Is your Board aware?
8. Are you in ownership of your 501c3 or do you have a fiscal sponsor?
9. Does your county have any restrictions on marketing cannabis or cannabis related products?

10. If you accept grants, do you know your funders position on you receiving funding from the cannabis industry?
11. Is your organization funded by any federal funds? National organizations? Etc.
12. If you receive funds over \$9,999 from a cannabis company, did you know your bank is required to communicate that donation to the IRS?

Ways a Cannabis Company can Support Your Non-profit

Cash is usually the most effective type of donation for any organization as it can go directly to an immediate need, but there is no reason to limit the opportunities for your non-profit.

- **Percentage of Sales.** While this does result in a cash donation, it also offers a great way for the donating company to also receive immediate benefits. With the endorsement and support of your organization, your volunteers, and your supporters spreading the word that when someone shops at the cannabis company (most likely a dispensary in this scenario) a certain percentage of sales will be donated is an immediate win-win. They get positive endorsements and more customers (again, reaching new audiences they can't otherwise advertise to in mainstream media) and you get revenue.
- **Volunteers.** Every non-profit can use more volunteer help, especially if undertaking a large endeavor such as a food drive, or cleaning a park, fixing a home, collecting supplies, etc. So while no cash may be involved, the support in human resources can often be priceless when the timing is right. There are already cannabis companies, while not directly involved, will give their employees a paid day off to go and do volunteer work within the community. Sometimes it is organized with the company, and sometimes it is simply the employees' preferred choice.
- **In-Kind Donations.** Again, this avoids any potential issues with receiving cash, and can be tremendously helpful for a non-profit in need of supplies of various sorts. It also offers a great marketing opportunity for the cannabis company. For example, a dispensary can offer discounts or even free product to their customers when they bring in a canned food or clothing.
- **Sponsorship.** These can also get quite creative and useful. You will have to take into consideration 280E, but some possible opportunities arise with cannabis companies for certain events, areas or sections within an event, collateral materials, swag, distribution of materials and/or information, etc. Be CREATIVE with these companies. It's a new world for all of us!

If you'd like to learn more please join us at CannaMakeADifference.org and register as a non-profit willing to accept donations from a cannabis company. Together, we can help your organization and Elevate Your State.

About CannaMakeADifference.org

We are an online platform and services organization helping connect cannabis companies looking to make a difference with local non-profits. We work closely with both cannabis companies and non-profits to help navigate these budding opportunities and provide expert consultation on best practices and effective use of corporate sponsorships in the industry.

This white paper was prepared based on the experience and expertise of its authors, KND Associates LLC/CannaMakeADifference.org. For more information please visit CannaMakeADifference.org, contact via email info@CannaMakeADifference.org or call 303.218.7899.