



Nonprofits without borders

Generating revenue from foreign sources

By Peter B. Reilly, CPA, CVA
[Councilor, Buchanan & Mitchell, P.C.](#)



As the U.S. economy continues its rocky course, many not-for-profits struggle to increase or even maintain their revenues. More and more organizations are thinking creatively and reaching beyond traditional geographic borders to pump up donations, membership, product sales and conference attendance - the activities that often drive revenue. While these initiatives can certainly pay off, you should consider several factors to determine whether they're right for you.

Why look abroad?

The balance of economic power around the globe is undergoing dramatic shifts. According to Merrill Lynch's *World Wealth Report 2011*, for example, the population of high net worth individuals in Asia is now second only to that in North America. Such emerging markets are increasing their levels of giving while other markets are leveling or dropping off.

Most U.S. nonprofits can't afford to keep a narrow domestic focus in the face of a global economy. In addition, by connecting with foreign donors, members and customers, an organization can diversify its portfolio of supporters. Doing so will likely leave it less vulnerable to sudden or prolonged economic downturns in its base country.

Critical considerations

As not-for-profit leaders know, building relationships is a key to building a donation base. Relationships are especially important when dealing with foreign donors, who generally lack the tax deduction incentive U.S. donors enjoy. (The United States does, however, have a tax treaty with Canada that allows Canadians who donate to U.S. nonprofits to offset their contributions against their U.S. income for Canadian tax purposes.)

The need to build relationships has prompted some organizations to hold conferences or even open offices in target countries. Local offices in foreign countries can form boards of directors, advisory councils and other bodies that encourage participation and fundraising by individuals in those countries.

A local entity may be more attractive to foreign donors than one based in the United States. Getting his or her "hands dirty" working with an organization is often the turning point in solidifying a donor's relationship with that not-for-profit. Local contributions also lessen the need for grants from U.S. organizations.

Bear in mind, though, that such a level of activity abroad will likely require you to register as a U.S. company doing business in the foreign country. Even if you have only one employee, you may need to set up a taxable subsidiary in the country or retain an independent contractor. Requirements vary from country to country.

Activities abroad also can ramp up your Form 990 reporting obligations, specifically those related to Schedule F, "Statement of Activities Outside the United States." You must file Schedule F if you had aggregate revenues or expenses of more than \$10,000 during the tax year from grant making, fundraising, business (including investments), unrelated trade or business, program services, and maintaining offices, employees or agents.

Additionally, the organization must report (by region) the number of offices; the activities conducted; the number of employees, independent contractors and agents; the total expenditures and investments; and, for program service activities, the specific type of service.

Payment issues

If you solicit foreign donations or payments, you'll need a system that can process multiple types of currency. In recent years, numerous nonprofits have turned to the online payment company PayPal to handle incoming payments, both domestic and foreign.

The allure is clear - PayPal offers qualifying charitable organizations a discount on their processing rates for donations. It also provides donors with an immediate receipt, quickly confirming the money was received.

But the company does impose added fees for international transactions. Further, while PayPal can accept money from other PayPal accounts throughout the world in various currencies, the local PayPal company will release money only to a bank in the same country. PayPal France, for example, will only release an organization's money from French individuals to a bank account in France.

Brave new world?

Reaching across borders for revenue isn't as simple as it might appear. The costs could end up outweighing the benefits. Before making any decisions, it's critical to thoroughly investigate and evaluate your options, consulting your financial advisor and legal counsel where appropriate.

[Peter B. Reilly, CPA, CVA](#) is an executive vice president and client service partner at [CBM](#). He has more than 25 years of [audit](#) and [tax](#) experience in planning and supervising engagements for [not-for-profit](#), [construction](#), and [automotive](#) clients. Having passed the NASD Series 65 Examination, Pete is a [registered investment adviser](#) in the State of Maryland. He can be reached at preilly@cbmcpa.com or 301.986.0600.