

SPECIAL REPORT December 3, 2008, 12:41PM EST

## Partnering with a Cause

Bob Lynde's Fat Barrel Wine is helping South Africa. You can hook up with a nonprofit, too



Adam Finck/Courtesy of Africare

By [Amy Barrett](#)

Bob Lynde made his first trip to South Africa in 1994. His visit included a car ride with friends to Cape Point, a tourist spot. Along the way he saw not only the physical beauty of the country but also the poverty of the townships. "The dichotomy of seeing multimillion-dollar estates and then people living in squalor," says Lynde, hit him in the face. "I thought, 'I can't fix this, but I can try to help.'"

More than 10 years later, Lynde has come up with a way to do just that. Fat Barrel Wine Co., his two-person, \$200,000 wine importer, donates up to 10% of sales from some of its wines to Africare, a Washington (D.C.) nonprofit working to help solve some of the continent's massive challenges, from poverty to HIV. Lynde says the process of setting up the partnership was "arduous."

Arduous, but necessary. Dedicating a portion of sales or profits from your company to a nonprofit can be a great way to marry commerce and philanthropy. But entrepreneurs need to approach these deals as they would any other partnership. That means carefully researching a potential partner and drawing up a contract that outlines exactly what you will be donating, how you can promote the relationship, and what happens if either party wants out.



Lynde (right) "finally wore me down" with his passion, says Coles

To make a match with a charity, first select a cause you care deeply about that also connects to your brand. If your brand and the organization seem like a good fit, do your homework. Check out its financials at [guidestar.org](http://guidestar.org), where nonprofits' IRS filings are available, or view nonprofit rankings at [charitynavigator.org](http://charitynavigator.org), which rates nonprofits based on factors such as growth of contributions and fundraising efficiency. The Better Business Bureau system also rates some 6,200 nonprofits across the country, at [bbb.org/charity](http://bbb.org/charity), based on their board structure, what share of their budget goes to programs, and other standards.

If your nonprofit checks out, start working on a contract. The first issue is how much you'll give. In most cases it will be a percentage of sales, not profits. The reason: Your marketing material or packaging should detail exactly what portion of the sale is going to the nonprofit, and that can be tough to calculate if you're basing your contributions on your profits. If that language isn't clear in your promotions, you can run into problems with consumer protection laws in some states or get a beating in the press if it looks like you misled consumers about how much you're donating. You might also want to commit to a minimum or maximum dollar amount.

The contract should also specify a process for approving marketing materials. If you have specific requests about how the money should be spent, get that in writing, too. But keep in mind that large national charities may be unwilling to let you put strings on donations if the amount is relatively modest. The written agreement should also outline the terms under which either party can end the deal.

An attorney experienced in philanthropy law may also come in handy. Cliff Perlman, a partner at New York law firm Perlman & Perlman, points out that 37 states require a nonprofit to be registered in any state where you solicit money on their behalf. So if you work with a local charity that is registered only in your state, but your product is sold nationwide, you may need to put language on your packaging that says the arrangement is valid only in certain states.

Fat Barrel's Lynde spent several months studying Africare before pitching a deal. He liked its strong financial footing and the fact that it was registered in nearly every state. But Africare President Julius Coles was initially wary. Africare had no other commercial linkups, and Coles was concerned about tying his organization to the alcohol industry. But, says Coles, Lynde's passion for the cause and his relentless pursuit of Africare—including three trips from his Portland (Ore.) offices to meet with Coles in D.C.—persuaded him to sign on in mid-2007. "He finally wore me down," Coles laughs.

Lynde agreed to give a minimum of 5% and up to 10% of the sales of his first line of wine, Bob's African Wines, to Africare over two years. He also guaranteed a minimum contribution of \$10,000 within that period, a number he hit within a year of the launch. The contract prohibits Lynde from mentioning Africare by name on his label but allows him do so on tags that retailers put on shelves with the wine. The contract comes up for renewal every two years, although either party can walk away at any time. "A philanthropic cause is a stronger marketing message than spending \$50,000 for an ad in a wine magazine," Lynde says. And it does much more good for the people of Africa.

[Barrett](#) is a senior correspondent for BusinessWeek SmallBiz.

[Original Source](#)