



SHOPA School, Home, & Office Products Association



Kids In Need *UPDATE*

A Program Of The SHOPA Foundation

\$30+ Million Donated In 2001



Product donations made to the Kids In Need Resource Centers reached an all time high of more than \$30 million in 2001. This is a 100% increase over donations received the year before.

“The majority of the product was contributed by SHOPA member companies,” said Kathy Kazmierczak, a member of the Resource Center Committee and a new member of the SHOPA Foundation Board of Directors. Ms. Kazmierczak is also chair of the Steering Committee which recently organized the opening of the Cleveland Kids In Need Resource Center. “The SHOPA Foundation has been able to continually grow and serve more children because of the willingness of SHOPA member companies to embrace this program. This is powerful. What we are doing is powerful, because we are giving 500,000 kids a better chance to succeed every day.”

“The benefits to companies making these donations shouldn’t be ignored,” points out Paul Bierhaus, chair of the Resource Center Committee.



“Besides tax donations and inventory management, research in cause related giving indicates that it generates increased sales, brand recognition, and customer and employee loyalty.”

Mr. Bierhaus cites especially large donations from United Stationers (\$6 M) and Zebra Pen Corporation (\$1M) as part of the reason for the

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2002 SHOPA Foundation Board Of Directors Announced

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SHOPA Foundation Awards \$90,000 To Teachers

In its fifth year of operation, the Kids In Need Teacher Grants program has awarded more than \$90,000 in grants to teachers. The awards, from \$250 to \$1,000 each, will fund classroom projects proposed by teachers from 28 states and the District of Columbia.

The 2001-02 Kids In Need Teacher Grants program was sponsored by Ames Department Stores, Inc., Fred Meyer, Price Less Drug Stores, and Sav-On Office Supplies, all members of SHOPA. Additional sponsors included the Dayton Area School Employees Federal Credit Union, the Northern Kentucky Educators’ Federal Credit Union, and the Cleveland Chapter of the Ohio Credit Union League. Teacher Grants

applications were available at all sponsors’ retail or credit union locations between June and October of 2001.

“Our objective is to fund classroom projects that motivate students and involve them effectively in the learning process,” says David Covitz, chair of the Kids In Need Teacher Grants Advisory Committee. “The Teacher Grants help alleviate the financial burden teachers often assume to fund special projects when their school budgets are not sufficient. Many of these projects are once-in-a-lifetime opportunities for the students.”

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Kids In Need

A Program of the SHOPA Foundation

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great influx of product in 2001, but emphasizes the importance of every single product donation. "Every pallet, every box of product is valuable to us because it's all supplies students and teachers can use. No donation is too small."

In addition to individual company donations that were shipped year round, the Foundation was able to harvest product from several tradeshows in 2001, including the International SHOPA SHOW, HIA, Camex, and the Barnes and Noble College Bookstore show.

Kids In Need Resource Centers provide free school supplies to students and teachers in ten U.S. cities: Atlanta, Chicago,

Cincinnati, Cleveland, Detroit, Los Angeles, Minneapolis-St. Paul, Seattle, South Florida, and Washington, D.C. Although the SHOPA Foundation makes a concerted effort to keep the Resource Centers stocked with the basic supplies needed by every student, it is the wide range of product available from SHOPA members that distinguishes the Resource Centers for teachers. Computer software, educational toys, arts and crafts supplies, children's books, and other "extras" donated by SHOPA members and other companies enhance the classroom and add immeasurably to the students' learning experiences.

To arrange your product donation, please call Dave Foor, gift-in-kind manager, at 800-854-7467 or 937-297-2250. ■

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In one such project funded by the program called "Voyage of the 'Kintyre: A Virtual Journey,'" students from first and second grade classes at the Capitol Hill Cluster School in Washington, D.C., will learn about geography, mapping, weather patterns, and sea life by following the voyage of the "Kintyre" through email communication with the crew and a visit to the ship as it sets sail for its Caribbean destination.

Members of the Teacher Grants Advisory Committee made final determination of the grant winners in October. The grants were

evaluated by volunteer educators prior to the final round of judging, which is based on innovativeness and merit, clarity of objectives, feasibility of replication, suitability of the method of evaluating the students' work, and appropriateness and effectiveness of the proposed budget.

If your company would like to become a sponsor of the 2002-03 Teacher Grants program, please contact Scott Walters, executive director of the SHOPA Foundation, at 800-854-7467 or 937-297-2250. ■

Questions Answered About Tax Rules Concerning Product Donations

If you have been contemplating making a product donation to the Kids In Need Resource Centers, the following information may answer some questions you may have about the applicable tax rules. To make a product donation, please call Dave Foor, gift-in-kind manager, at 800-854-7467 or 937-297-2250.

Is a tax deduction permitted for donations of inventory?

The general rule is that a taxpayer is allowed a charitable contribution deduction only for an amount equal to the taxpayer's basis in the inventory of product contributed to a 501 (c)(3) nonprofit organization. Inventory is defined as the assets held by a taxpayer for sale to customers in the ordinary course of a trade or business. Those assets when sold yield ordinary income. The basis of product contributed from inventory is defined as all costs incurred in providing, manufacturing, acquiring, or holding product for resale to others.

The value of inventory items contributed to a charitable organization must be reduced by the amount of ordinary income that would have been realized had the items been sold. Double deductions under different provisions of the law are not allowed. If inventory is deducted as a charitable contribution, it cannot be deducted again as part of the donor's cost of goods sold.

If inventory is contributed in the same taxable year it was created or acquired, no charitable deduction is allowed. However, the cost of the contributed inventory can be deducted as part of the costs of goods sold.

How much can a corporation give?

The corporation's deduction for charitable contributions for any year cannot exceed ten percent (10%) of taxable income. However, any "excess" can be carried forward and applied for the next five years, subject to the 10% rule for each carryover year.

Can the tax deduction for in-kind gifts ever exceed cost?

A special rule known as IRC 170(e)(3)(B) was added to the Tax Reform Act of 1976 to make it financially attractive for businesses to help nonprofits with donations of free merchandise. It established special tax deductions available only to (c)corporations (manufacturers and distributors) that make donations of current inventory to educational and other tax-exempt 501 (c)(3) nonprofit organizations that also meet the requirements of IRC 170(e)(3) or IRC 170 (e)(4).

This rule is significant, for with it, corporations may deduct the lesser of their tax cost basis plus one half of the difference

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Foundation Developments From The Foundation Chair

Partnerships Boost The Effectiveness Of The SHOPA Foundation



Jack McElrone

No charitable organization can stand alone and successfully realizes its mission. All nonprofits depend on the support of others. Without SHOPA member companies, the Foundation could not be successful in recognizing, promoting, and supporting initiatives that foster educational excellence.

Our most important partners, SHOPA member companies, were particularly generous in 2001. The value of product donations increased 100% over 2000. Twenty SHOPA member companies contributed product worth \$50,000 or more. Cash donations continued to provide resources to cover teacher grant awards, freight expenses, product purchases, and administrative costs.

In addition, a great boost to the effectiveness of the SHOPA Foundation during 2001, was the partnerships formed with several other trade associations related to the school supplies and office products industry. These partnerships will continue to create opportunities for the Foundation in 2002 and beyond.

This year, the SHOPA Foundation will harvest product from four tradeshows in addition to the International SHOPA SHOW. These include shows conducted by the Hobby Industry Association (HIA), the National Association of College Stores, Barnes and Noble Bookstores, and the National Art Materials Trade Association (NAMTA).

The partnership with NAMTA was formed in the days after September 11, 2001, when executives from both organizations combined their organizations' efforts to strengthen the support for families of victims of the terrorist attacks. Joining in that effort also were the National Art Educators Association and the Art Creative Materials Institute.

HIA and the SHOPA Foundation are currently in the process of developing a partnership in support of the Kids In Need Teacher

Grants program, which will include fundraising activities and sponsorship opportunities for HIA member companies.

In 2001, partnerships were formed with White Castle and The Coca-Cola Company for the purpose of getting school supplies into the hands of kids who need them. Several education credit unions participated as sponsors and donors in the Kids In Need Teacher Grants program, and several more have inquired about participating in the program during the coming year. Cash donations were received from BMW of North America and The Charles Schwab Corporation Foundation.

We trust the support from SHOPA member companies will always be the mainstay of the SHOPA Foundation's objective to help children succeed in school. However, if we are to actualize the true potential of our programs, strong partnerships with organizations outside our industry are absolutely essential. ■



A partnership with the Cleveland Chapter of the Ohio Credit Union League means financial support for the Kids In Need program. Phyllis Daun, director of the Garfield Heights Employee's Credit Union, presents a check for \$1,000 to Scott Walters at the Cleveland Resource Center opening.

Applications Are Now Available For College Scholarships

For the second year, the SHOPA Foundation is making college scholarships available to dependents of SHOPA member company employees. Seven scholarships are available.

The John E. Johnson Scholarship in the amount of \$10,000 will be awarded to one student who is currently a high school senior or a college freshman, sophomore, or junior. The scholarship is renewable for the number of years normally required to receive a bachelor's degree. The scholarship, usually available every fifth year, is again available this year because last year's recipient graduates from college in 2002 and will not be applying to renew the award.

Six renewable scholarships in the amount of \$2,500 each are also available. The applicants may be high school seniors or college freshmen, sophomores, or juniors.

Employees from SHOPA member companies outside the U.S. are eligible to apply but must attend an accredited nonprofit college, university, or vocational technical school in the United States.

You may call Scholarship Administrators at 615-320-3149 to request an application. The deadline for submission is April 1, 2002. ■

Questions Answered About Tax Rules Concerning Product Donations

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between the cost and the market value or twice the cost basis. This deduction is subject to all of the conditions being met.

What types of goods can be donated under Section 170(e)(3)?

All forms of inventory are allowed. Virtually anything made or distributed by a corporation is a potential gift, as long as it is new or reconditioned to new.

Who can receive these gifts?

To obtain the special tax incentive of IRC 170(e)(3)(B), donations must be made to nonprofit, tax-exempt 501(c)(3) organizations for the benefit of the ill, needy, or infants (minors) [IRC 170(e)(3)], the purpose for which the 501(c)(3) organization was given tax-exempt status. Donations can be made either directly to the individual nonprofit organizations or to legally sanctioned nonprofit organizations designed to receive merchandise in large volume for redistribution to their qualified nonprofit organizations. ■

2002 SHOPA Foundation Board of Directors Announced

The following individuals will serve as volunteer members of the Board of Directors for 2002:

- Jack McElrone, Chair – J.J. McElrone Associates, Inc.
 - Jane Urman, Vice Chair – Staedtler, Inc.
 - Paul Bierhaus, Treasurer – Lockermate Corporation
 - Mike Cosgrove, Secretary – Cosgrove Sales, Inc.
 - Dave Smith, Immediate Past Chair – Scholls, Inc.

 - Dee Andrews – Norcom, Inc.
 - Dick Bere – Crayons to Computers
 - Ron Costello – Office of Catholic Education, Archdiocese of Indianapolis
- Robert Delgado – Certified Grocers of California
 - David Covitz – Ames Department Stores, Inc.
 - William Douthit – George F. Cram Company
 - Dave Eckert – Pathmark Stores, Inc.
 - Diana French
 - Alan Goldner – United Supply Corporation
 - John E. Johnson – Chanticleer Group
 - Kathy Kazmierczak – KAZ Company
 - Dean Mitchell – BIC Consumer Products, USA
 - Jeff Pavic – American Greetings
 - Karman Wood – Wal-Mart

November 27, 2001

Mr. Scott Walters
3131 Elbee Road
Dayton, OH 45439-1900

Dear Mr. Walters,

My name is Adam Pavic. I go to school at Rocky River Middle School. Rocky River is a suburb west of Cleveland. I am in a sixth grade honors math class. In our class, we are doing a Christmas present project. We were given \$1,000 to spend. We are using catalogs to shop. We also have to give 15% of our money to a charitable organization. I picked SHOPA.

I selected SHOPA because they focus on school supplies for students. I think that is very important because it gives children a better chance to learn. One thing I like about SHOPA is that it gives teachers money and supplies to help them do their job. I think it's very generous that SHOPA helps students and teachers get materials needed in the classroom.

I'm sorry the money isn't real. I'll try to support SHOPA when I am older. I will tell people about SHOPA and to support it. Thank you for reading my letter and thank you for helping kids get a better education.

Sincerely,



Adam Pavic