


FOR THE LIFE OF YOUR BUSINESS

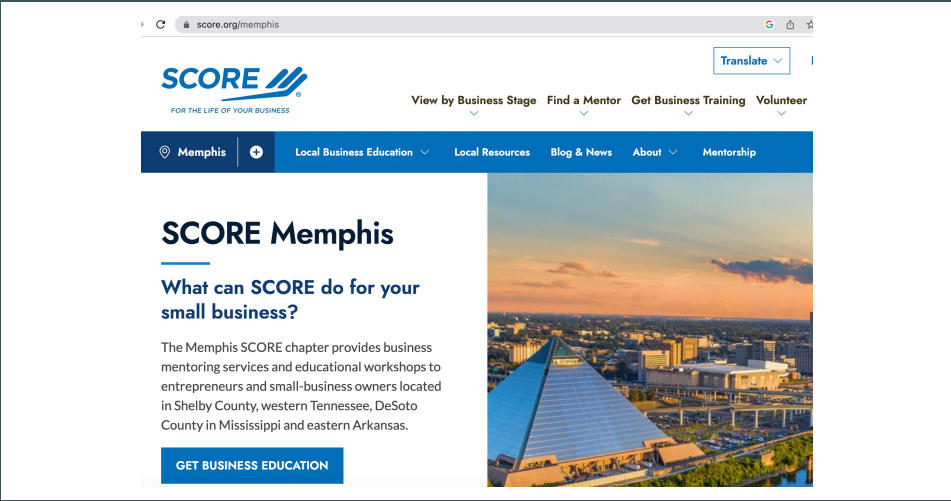
# Starting a Nonprofit

Presented by Cheryl Smith, CEO  
Dewlyn Nonprofit Services

score.org



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# Welcome

## TO THE START OF SOMETHING BIG!

This workshop was developed by Dewlyn Nonprofit Services,  
and  
is being present by Cheryl Smith, CEO  
of Dewlyn Nonprofit Services and the Community Heroes Program

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## About me

- CEO of Dewlyn Nonprofit Services & CommunityHeroes.us
- Nonprofit trainer for SCORE (multiple U.S. Chapters), private, faith-based organizations, and Udemy.com trainer.
- Nonprofit expert, consultant, and grant-writer.
- Author of book: **21 Ways to Fund a Nonprofit**.
- Author of **2-Page Mini Grant Proposals on Etsy.com**.
- Supports over 3,000 nonprofit organizations in the U.S. and abroad every year.
- Masters in Public Administration.
- Member of the American Grant Writers Association.
- 25 years nonprofit experience in the nonprofit sector.

*C. Smith*

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## Housekeeping

- Slides will be available once the survey is received.
- Please request slides from SCORE.
- Q&A after each section and at the end of the workshop.

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## Questions

- Let's keep our discussion interactive and relevant!
- ALL Questions are valid and important.
- Please ask ANY questions concerning the (topic) material covered.
- Please HOLD off-topic nonprofit guidance questions to the end workshop. I promise to reserve 15 minutes for these questions! 😊

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## Disclaimer

This information is not inclusive of every possible IRS regulation concerning the 501(c)(3) tax status, nor is it intended to provide legal or accounting advice, or to address specific situations. Please consult with your legal or tax advisor to supplement and verify what you learn here.

Alternatively, you may visit the IRS.gov website for “Educational Resources and Guidance for Exempt Organizations.

<https://www.irs.gov/charities-and-nonprofits>

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## You're in the right place if...

- You want to start a 501(c)(3) nonprofit.
- You just started a 501(c)(3) nonprofit.
- You are undecided.

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## The State of Tennessee

- Home to 37,895 nonprofit organizations.
- These organizations employ 357,354 people.
- And earn over \$44 billion in revenue yearly.

Source:  
<https://www.chamberofcommerce.org/nonprofit/tennessee>

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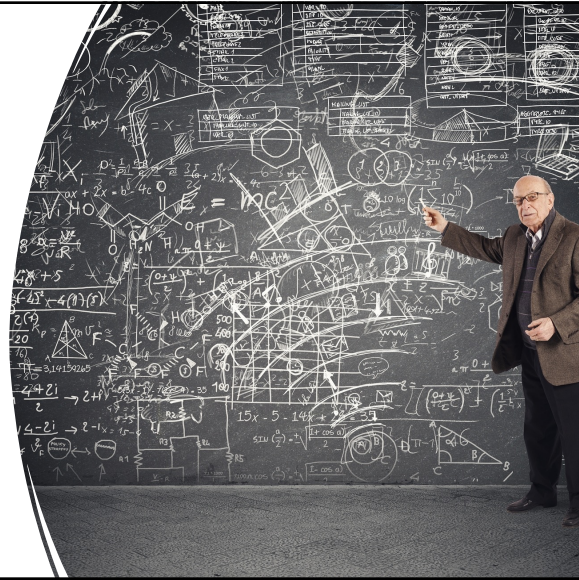
## Our Agenda

**We will address 3 core areas for new & emerging nonprofit founders:**

- I. Starting a Nonprofit
- II. Sustaining a Nonprofit
- III. Nonprofit Compliance

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## I. Starting a Nonprofit



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## What is a Nonprofit?

- **Nonprofit** - status under state law
- Organized for a public or mutual benefit other than generating profit for owners or investors.
- **Tax-Exempt** - federal income tax exemption under the Internal Revenue Code and to certain state taxes.
- 35 types of tax-exempt organizations
- **The 501(c)(3)** – tax exemption and tax deductibility of donations.



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## 501(c)(3) Advantages

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- Contribute to social good
- Miscellaneous free stuff
- Separate and Perpetual Legal Existence
- Federal and State tax exemption
- Eligibility for grants
- Donors can claim federal income tax deductions for donations to 501c3



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## 501(c)(3) Disadvantages

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- Paperwork & costs
- Restrictions on paying Board
- Restrictions upon dissolution
- Restrictions on Political Activities
- State & Federal oversight
  - Unrelated Business Income Tax
  - Private Benefit and Inurement
  - Annual filing
- You do not own the nonprofit



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## Can *anyone* become Tax Exempt?

Exempt purposes in section 501(c)(3) are:

1. Charitable
2. Religious
3. Educational
4. Scientific
5. Literary
6. Testing for public safety
7. Fostering national or international amateur sports competition
8. Preventing cruelty to children or animals



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## Before starting a nonprofit, ponder these 7 things...

1. What is my mission?
2. What will be my primary service?
3. Where will I conduct the business?
4. What are my start up costs?
5. Will I need to **loan or gift** start-up funding to the nonprofit?
6. How will I raise money?
7. Who can help me?

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## Establish a Nonprofit 501c3 in 7 Steps

1. Choose a relevant name
2. Assemble a Board of Directors
3. Draft your Bylaws
4. Form a Nonprofit Corporation
5. Hold your first meeting to adopt your Bylaws
6. Obtain your EIN
7. Complete IRS Form 1023 to apply for your Federal Tax-Exemption



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## Selecting Your Initial Board

### The Nonprofit Board

- Responsible for oversight and governance.

### Finding Board Members

- Personal and Professional Circle
- Other Nonprofits
- Professional Associations
- Major Corporations
- Local Businesses



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### 3 Types of Board Members

1. Someone that doesn't mind **fundraising**
2. Someone that's **analytical** and good with numbers
3. Someone from the **community** you serve



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## Articles of Incorporation Requirements

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### Tennessee Secretary of State

- Minimum number of Directors: 3
- Minimum age: 18
- Must have officers, including a president and secretary, who must be different persons.
- One officer must be designate to prepare minutes of the Board.
- Complete Articles of Incorporation (\$100). Approx. 5-10 days.

To learn more: call (615) 741-2286, email [tnsos.corpinfo@tn.gov](mailto:tnsos.corpinfo@tn.gov).

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# The IRS 1023-EZ vs IRS 1023

## IRS 1023

- Easily 30+ pages
- 4-6 months processing time
- Attachments and schedules
- May be required
- User fee \$600

## IRS 1023-EZ

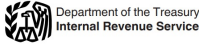
- 2 ½ Pages
- 4-6 weeks processing time
- No attachments
- Must qualify
- User fee \$275

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## Instructions for Form 1023-EZ

(Rev. January 2018)

**Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code**



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Section references are to the Internal Revenue Code unless otherwise noted.

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### Email Subscription

The IRS has established a subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit [IRS.gov/Charities](https://www.irs.gov/Charities).

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### General Instructions

**“You” and “Us”.** Throughout these instructions and Form 1023-EZ, the terms “you” and “your” refer to the organization that is applying for tax-exempt status. The terms “us” and “we” refer to the Internal Revenue Service.

### Purpose of Form

Form 1023-EZ is the streamlined version of Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. Any organization may file Form 1023 to apply for recognition of exemption from federal income tax under section 501(c)(3). Only certain organizations are eligible to file Form 1023-EZ (see *Who Can File This Form*, below).

**Note.** Most organizations seeking exemption from federal income tax under section 501(c)(3) are required to complete and submit an application. However, the following types of organizations are exempt from this requirement:

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**Form 1023-EZ Eligibility Worksheet**  
(Must be completed prior to completing Form 1023-EZ)

If you answer "Yes" to any of the worksheet questions, you are not eligible to apply for exemption under section 501(c)(3) using Form 1023-EZ. You must apply on Form 1023. If you answer "No" to all of the worksheet questions, you may apply using Form 1023-EZ.

<p><b>1. Do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years?</b></p> <p><small>Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. You should consider this year and the next two years.</small></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>
<p><b>2. Have your annual gross receipts exceeded \$50,000 in any of the past 3 years?</b></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>
<p><b>3. Do you have total assets the fair market value of which is in excess of \$250,000?</b></p> <p><small>Total assets includes cash, accounts receivable, inventories, bonds and notes receivable, corporate stocks, loans receivable, other investments, depreciable and depletable assets, land, buildings, equipment, and any other assets.</small></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>
<p><b>4. Were you formed under the laws of a foreign country (United States territories and possessions are not considered foreign countries)?</b></p> <p><small>You are formed under the laws of a foreign country if you are not formed under the laws of (1) the United States, its states, territories, or possessions; (2) federally recognized Indian tribal or Alaskan native governments; or (3) the District of Columbia.</small></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>
<p><b>5. Is your mailing address in a foreign country (United States territories and possessions are not considered foreign countries)?</b></p> <p><small>Your mailing address is the address where all correspondence will be sent.</small></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>
<p><b>6. Are you a successor to, or controlled by, an entity suspended under section 501(p) (suspension of tax-exempt status of terrorist organizations)?</b></p> <p><small>Section 501(p)(1) suspends the exemption from tax under section 501(a) of any organization described in section 501(p)(2). An organization is described in section 501(p)(2) if the organization is designated or otherwise individually identified (1) under certain provisions of the Immigration and Nationality Act as a terrorist organization or foreign</small></p>	<input type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <b>No</b>

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## Required Provisions

**If you are planning to apply for a 501(c)3, your Articles of Incorporation must:**

1. Affirm that you have selected an **exempt purpose**.
2. Affirm that the **nonprofit's activities** will further the exempt purpose.
3. Agree to **permanently dedicate** the nonprofits assets to an exempt purpose.
4. Agree to **distribute the assets** of the nonprofit for public use if it dissolves.

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# Google: IRS Suggested Language

**Life cycle of a public charity - sample organizing documents - Draft A - charter**

**Individuals** | **DRAFT A**

**Articles of Incorporation of \_\_\_\_\_**

The undersigned, a majority of whom are citizens of the United States, desiring to form a Non-Profit Corporation under the Non-Profit Corporation Law of \_\_\_\_\_, do hereby certify:

**First:** The name of the Corporation shall be \_\_\_\_\_.

**Second:** The place in this state where the principal office of the Corporation is to be located is the City of \_\_\_\_\_ County.

**Third:** Said corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the

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Small Business Administration - Make a SBA 1201 Borrower
United States Coast Guard - Pay a Merchant Mariner User Fee

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## IRS Processing time

- 2023-EZ: 2-4 weeks.
- 1023 Full Version: 3-4 months.



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## II. Sustaining a Nonprofit



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## Nonprofit Revenue

Every year **trillions of revenue dollars** pass through the books of nonprofit organizations.



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## Your Nonprofit is a Business.



Nonprofits face many of the **same financial dilemmas** as their for-profit counterparts -- need for cash-flow to start, sustain, and expand operations.

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## Money.

Is a dignified conversation to have.

“Non-profit” is your tax- status.  
It shouldn't be your business  
model.



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## 21 Ways to Fund a Nonprofit



1. Founder and Board
2. Bartering for Services
3. Individual Donations
4. Giving by Bequest
5. Corporate Giving
6. Fundraising
7. Investor-Based Crowdfunding
8. Donation-Based Crowdfunding
9. Social Enterprise
10. Membership Fees
11. Mandatory Fees
12. Commercial Loans
13. SBA Loans
14. CDFI
15. Federal Grants
16. State Grants
17. Local Grants
18. Government Contracts
19. Private Foundations
20. Community Foundations
21. Fiscal Sponsorship

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## Where to Find Grant Opportunities

- Foundation Directory Online QuickStart (FDO)
- FundsnetServices.com
- Grantmakers.io.
- GrantGopher.com

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### III. Nonprofit Compliance

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# Oversight

**Tax Exempt:** Governed by Federal Law



For questions call IRS Tax Exempt and Government Entities at (877) 829-5500

**Nonprofit:** Governed by State Law



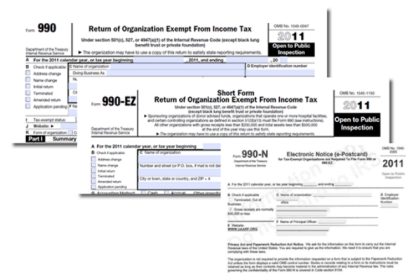
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## IRS Form 990

Public charities have 3 possible tax filing requirements – based on annual revenue:

- Form 990 (> \$200,000)
- Form 990-EZ (\$50,000 – \$200,000)
- Form 990-N e-postcard (<\$50,000)

### Required Filings - Form 990 Options



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## State Regulations

### Annual Registration:

- Due the 4<sup>th</sup> month after your fiscal year end date.
- Amount: \$20

### Charitable Registration:

- Register with the **Division of Charitable Solicitations and Gaming.**
- The fee is \$50 to \$240 depending on gross revenue.
- There is an annual renewal each year which is due on the last day of the 6<sup>th</sup> month after fiscal year ends.

**Exemptions:** By type and revenue. Nonprofits that earn less than \$30,000 nationwide per year are also exempt.



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## Other State Compliance Matters

**Sales tax exemption.** Complete and file Form RV-F1306901 and file it with the Tennessee Department of Revenue.

**Business License.** Based on business activities. Check with your county clerk's office.

FOR ADDITIONAL INFORMATION: <https://sgssos.tn.gov/>,  
<https://sos.tn.gov/products/charitable-solicitations>


FOR ADDITIONAL INFORMATION: <https://www.tennessee.gov/>



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## Nonprofit Corporation Changes




**Notice to State Attorney General at least 45 days prior to the closing of any of the following events:**

- Merger
- Conversion
- Sale of most of assets
- Dissolution

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## Dissolving a Nonprofit in Tennessee

**TENNESSEE ATTORNEY GENERAL AND REPORTER'S  
NONPROFIT CORPORATIONS REQUEST  
FOR INFORMATION PACKET  
FOR CERTAIN NONPROFIT DISSOLUTIONS**




Office of the Attorney General and Reporter | Public Interest Division  
Division: Nonprofit Transactions  
P.O. Box 20227  
Nashville, Tennessee 37202  
PAIS 741.8571

**TENNESSEE ATTORNEY GENERAL AND REPORTER'S  
REQUEST FOR INFORMATION FORM  
FOR CERTAIN NONPROFIT DISSOLUTIONS**

**PLEASE CAREFULLY REVIEW THE INSTRUCTIONS AND DEFINITIONS PRIOR TO COMPLETING THIS FORM.**

1. **Name of Nonprofit Filing this Notice.** Identify the Nonprofit filing notice pursuant to the Nonprofit Act and provide the Nonprofit's Federal Employer Identification Number.  
\_\_\_\_\_
2. **Contact Person for Nonprofit.** Provide the name, title, address, telephone, and email address for the contact person responsible for completing this Request for Information Form (this individual will receive any requests for additional information).  
\_\_\_\_\_  
\_\_\_\_\_
3. **Directors and Officers.** Identify by name and title each director and officer of the Nonprofit, past and present. If any director or officer has been removed or resigned during the period covered by this Request for Information, please state that fact and provide the reasons for such removal or resignation.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. **Organizational Documents.** Provide all of the Nonprofit's organizational documents.
5. **Nonprofit Affiliates.** Provide a list of all of the Nonprofit's Affiliates.
6. **Value of Nonprofit Assets.** State the aggregate, approximate value of the Nonprofit's assets involved in the Transaction.  
\_\_\_\_\_
7. **Description of Transaction.** Provide a detailed description of the Transaction, including a detailed explanation of the purpose of the dissolution and the distribution plan for the Nonprofit's assets.  
\_\_\_\_\_  
\_\_\_\_\_



**The Man Who Thinks He Can**

If you think you are beaten, you are;  
If you think you dare not, you don't;  
If you'd like to win, but think you can't,  
It's almost a cinch you won't.


If you think you'll lose, you're lost,  
For out in the world we find  
Success begins with a fellow's will,  
It's all in the state of mind.

If you think you're outcasted, you are;  
You've got to think high to rise.  
You've got to be sure of yourself before  
You can ever win a prize.

Life's battles don't always go  
To the stronger or faster man;  
But soon or late the man who wins  
Is the man who thinks he can.

*Walter D. Wintle*

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**Join us for  
more  
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**New Workshop Series:**

1. Starting a Nonprofit ([Jan 31st](#))
2. Nonprofit Essentials 101: What to Do In Your First 12 Months! ([Feb 22nd](#))
3. Becoming Grant Ready ([March 22nd](#))
4. How to Write a 2-Page Grant Proposal ([April 20th](#))

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Our volunteers are experts with experience in areas such as; accounting, finance, human resources, consulting, import/export, law, operations, production, retail, wholesale, manufacturing, sales, marketing, management, business plan preparation, strategic planning, and many other business disciplines.

We provide:

- Volunteer **MENTORS** who share their expertise across many industries
- Free, confidential business mentoring in person, via email or by video
- Free business **TOOLS**, templates, and tips here online
- Inexpensive or free business **WORKSHOPS** (locally) and webinars (online 24/7)

**Give Us A Call**  
(901) 544-3588

**Send an Email**  
contactus@score.org

**Main Office Location**  
5100 Poplar Ave #410  
Memphis, TN 38137

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**DEWLYN**  
NONPROFIT SERVICES

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### Our Services

- Nonprofit Training: On-Demand & LIVE Workshops
- Nonprofit Private Consultation
- Professional Grant-writing
- Community Café: Professional mentoring circles
- IRS 990-N Filing
- Nonprofit Websites
- Nonprofit Newsletter with grant opportunities

### Grant Proposal Templates

- Mini proposal kits
- Full grant proposal kits
- Each proposal is cause-specific
- Research and writing already done
- Includes operational & program budget
- Includes mission-aligned grant list
- Apply for funding immediately

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**How to contact Cheryl Smith:**

**Phone:** 800-446-0323 ♦ **Email:** Support@Dewlyn.com ♦ **Website:** https://Dewlyn.com

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# Thank You!

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