



FOR THE LIFE OF YOUR BUSINESS

Starting a Nonprofit

Presented by Cheryl Smith, CEO
Dewlyn Nonprofit Services



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SCORE Memphis

What can SCORE do for your small business?

The Memphis SCORE chapter provides business mentoring services and educational workshops to entrepreneurs and small-business owners located in Shelby County, western Tennessee, DeSoto County in Mississippi and eastern Arkansas.

GET BUSINESS EDUCATION



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



Presented by Cheryl Smith



C. Smith

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.
- Board Chair for a CASA program in Georgia.
- 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.

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.

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>

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.

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>

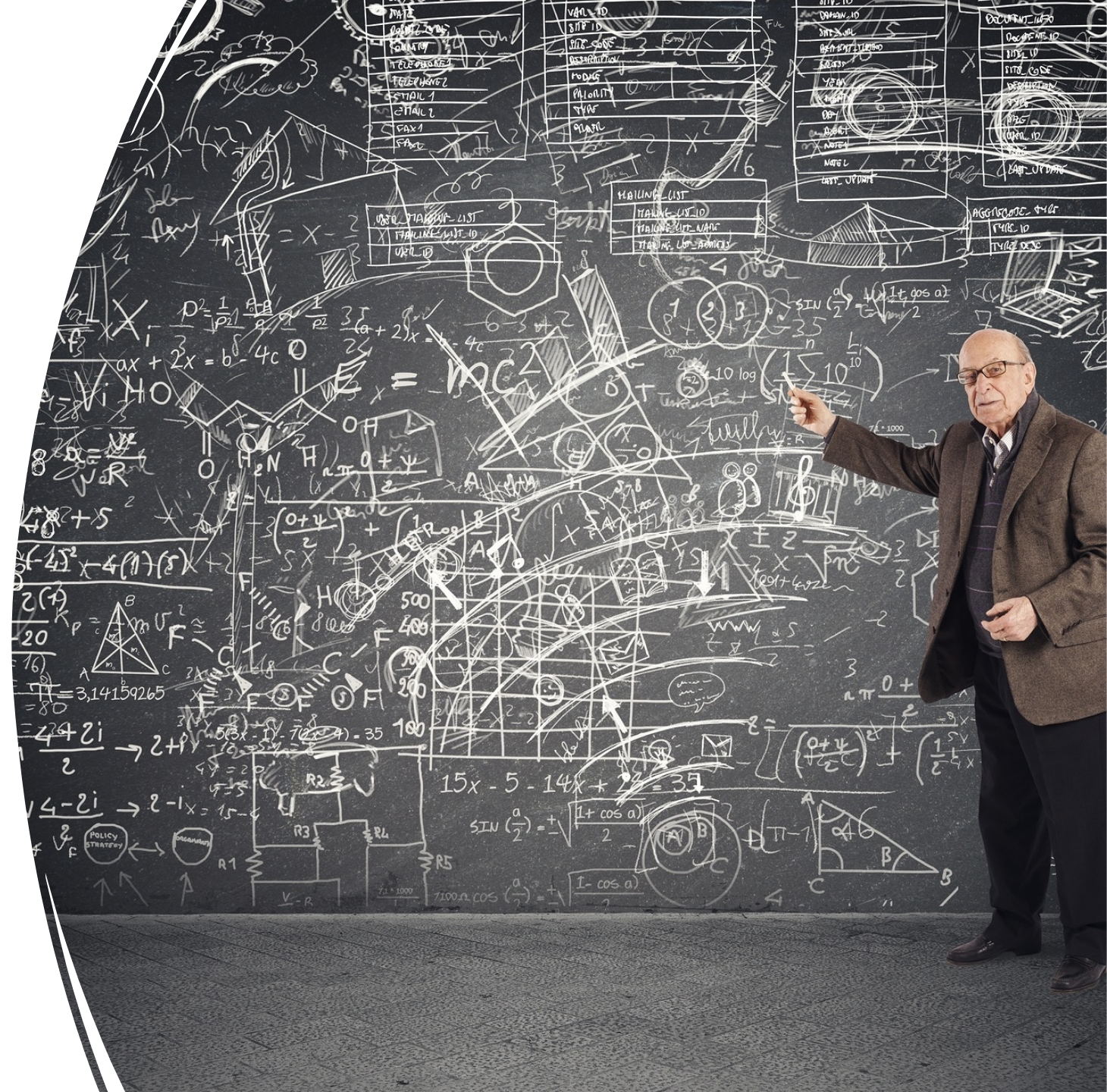


Our Agenda

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

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

I. Starting a Nonprofit



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.



501(c)(3) Advantages

- 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



501(c)(3) Disadvantages

- 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



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





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?

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



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



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



Articles of Incorporation Requirements

Tennessee Secretary of State

- Minimum number of Directors: 3
- Minimum age: 18
- Must have a registered agent.
- Must have officers, including a president and secretary, who must be different persons.
- Complete Articles of Incorporation (\$100). Approx. 5-10 days.

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

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

Instructions for Form 1023-EZ

(Rev. January 2018)

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



Department of the Treasury
Internal Revenue Service

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).

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

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.

1.	<p>Do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years?</p> <p>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.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	<p>Have your annual gross receipts exceeded \$50,000 in any of the past 3 years?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3.	<p>Do you have total assets the fair market value of which is in excess of \$250,000?</p> <p>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.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4.	<p>Were you formed under the laws of a foreign country (United States territories and possessions are not considered foreign countries)?</p> <p>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.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5.	<p>Is your mailing address in a foreign country (United States territories and possessions are not considered foreign countries)?</p> <p>Your mailing address is the address where all correspondence will be sent.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6.	<p>Are you a successor to, or controlled by, an entity suspended under section 501(p) (suspension of tax-exempt status of terrorist organizations)?</p> <p>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</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Pay.gov



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Information Status

Sorry. We noticed you hadn't done anything in a while, so we've returned you to the homepage.

**The secure way to pay U.S.
Federal Government Agencies**

Department of Veterans Affairs

[Make a VA Medical Care](#)

Small Business Administration

[Make a SBA 1201 Borrower](#)

United States Coast Guard

[Pay a Merchant Mariner User Fee](#)

IRS Processing time

- 2023-EZ: 2-4 weeks.
- 1023 Full Version: 4-6 months.



II. Sustaining a Nonprofit



Nonprofit Revenue

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



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.

Money.

Is a dignified conversation to have.

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



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

A person's hands are shown typing on a silver laptop keyboard. The laptop is open and sits on a light-colored wooden desk. In the foreground, a white pen and a stack of papers are visible. The background is a bright, out-of-focus office space with a window. A blue horizontal line is positioned above the title.

Where to Find Grant Opportunities

-
- [Foundation Directory Online QuickStart \(FDO\)](#)
 - [FundsnetServices.com](#)
 - [Grantmakers.io.](#)
 - [GrantGopher.com](#)



III. Nonprofit Compliance

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



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

The image displays three versions of IRS Form 990, all for the year 2011. Each form includes the title, OMB number, and a '2011 Open to Public Inspection' stamp. The top form is Form 990, 'Return of Organization Exempt From Income Tax', with OMB No. 1545-0047. The middle form is Form 990-EZ, 'Short Form Return of Organization Exempt From Income Tax', with OMB No. 1545-1130. The bottom form is Form 990-N, 'Electronic Notice (e-Postcard) for Tax Exempt Organizations not Required To File Form 990 or 990-EZ', with OMB No. 1545-2203. Each form shows various sections for reporting information, such as 'For the 2011 calendar year, or tax year beginning and ending', 'Check if applicable' (with options like Address change, Name change, Initial return, Amended return, Application pending), 'Name of organization', 'Employer identification number', and 'Website'. The bottom form also includes a 'Primary Act and Paperwork Reduction Act Notice' at the bottom.

State Regulations

Annual Registration:

- Due the 4th 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 6th month after fiscal year ends.

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



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/>





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

Join us for
more
workshops!



Workshop Series:

1. Starting a Nonprofit ([August 3rd](#))
2. Nonprofit Board Development ([August 23rd](#))
3. Nonprofit Essentials 101: What to Do In Your First 12 Months! ([Sept 13th](#))
4. Becoming Grant Ready ([Sept 21st](#))
5. How to Write a 2-Page Grant Proposal ([Oct 17th](#))
6. 21 Ways to Fund a Nonprofit ([Nov 8th](#))
7. Accessing Grants, Sponsorships, and Resources ([Dec 7th](#))



For the Life of Your Business

SCORE Memphis is a group of experienced business professionals who guide those desiring to start up a new small business or assist existing small businesses in improving their profitability.

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



Cheryl Smith, CEO
Dewlyn Nonprofit Services
National Nonprofit Trainer & Coach

Our Services

1. We establish nonprofit organizations
2. We write grant proposals
3. We provide professional mentoring
4. We provide group coaching and training
5. We provide weekly nonprofit grants
6. We file IRS-990-Ns



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Thank You!



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