


Starting a Nonprofit



SCORE  **DEWLYN**
NONPROFIT SERVICES

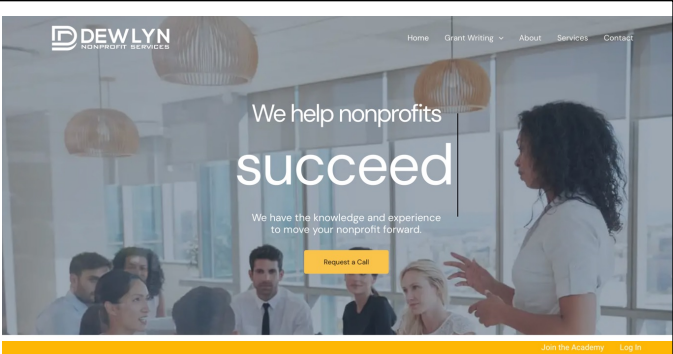
Presented by Cheryl Smith

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C. Smith

CEO of Dewlyn Nonprofit Services and the Community Heroes program



DEWLYN NONPROFIT SERVICES


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We help nonprofits succeed

We have the knowledge and experience to move your nonprofit forward.

Request a Call

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Calling All Heroes.

Get the tools you need to run a successful charitable program – even during times of uncertainty.

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Disclaimer

This is an informational presentation and is not inclusive of every possible business formation type available, or IRS regulation concerning the 501(c)(3) tax status, nor is it intended to provide legal or accounting advice, or to address specific situations. This presentation is not a “show me how” tutorial. In fairness to other participants, for guidance on how to actualize circumstances for your specific nonprofit situation, please consult with your legal or tax advisor, or nonprofit expert for consultation, or to supplement and verify what you learn here today.

Alternatively, you may visit your Secretary of State’s website for guidance or the IRS.gov website for “Educational Resources and Guidance for Exempt Organizations.”

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

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Thought for Today

“The best time to plant a tree was 10 years ago. The next best time is now.”

Chinese Proverb



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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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Our Agenda

1. Define a Nonprofit
2. How to Start a Nonprofit
3. Nonprofit Compliance
4. Nonprofit Funding
5. Nonprofit Resources

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I. Defining 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 its founders, board, or others.



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The Nonprofit 501(c) Tax Code

Common 501c Exemption Codes

1. 501(c)(4) – Social Welfare Organizations: lobbying and political activities.
2. 501(c)(6) – Business Leagues and Chambers of Commerce.
3. 501(c)(7) – Social and Recreational Clubs/Country Clubs.

Nonprofit 501(c)(3)

1. Public Charity
2. Private Foundation
3. Private Operating Foundation
4. Community Foundation

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501(c)(3) Type	Public Charities	Private Operating Foundations (POFs)	Private Foundation
Public Support Required?			
Gives Grants to Public Charities?			
Receives Private Foundation Grants?			
Diverse Board Requirement?			
Required IRS application?			
Which IRS Information Return is required?			

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501(c)(3) Type	Public Charities	Private Operating Foundations (POFs)	Private Foundation
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Diverse Board Requirement?	Yes.	No.	No.
Required IRS application?	IRS 1023-EZ or 1023 Standard Application.	IRS 1023 Standard Application.	IRS 1023-EZ or 1023 Standard Application.
Which IRS Information Return is required?	IRS 990, 990-EZ, or 990-N	IRS 990-PF	IRS 990-PF

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Contact the IRS

For complete information pertaining to IRS requirements for tax-exempt organizations, call or visit the IRS online.

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

Phone number: 877-829-5500

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What About Other Entity Types?

For-Profit Companies



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Business Formation Types

For-profit

1. Focus: Profit or Profit + Social Good.
2. Pays taxes on earnings? Yes.
3. **Funding** – investors, loans, sales.
4. Staff – paid.
5. Ownership: Shareholders or members
6. Private Entity Oversight: Private – State.
7. Public Entity Oversight: State and U.S. Securities and Exchange Commission (SEC).

Nonprofit

1. Focus: Social good/community benefit.
2. Pays taxes on earnings? Maybe.
3. **Funding** – grants, contributions, fundraising, fee for services, sales, loans.
4. Staff – paid and volunteers.
5. Ownership – public.

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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 its founders, board, or others.

Tax-Exempt - federal income tax exemption under the Internal Revenue Code and to certain state taxes.

- The 501(c)(3) – tax exemption and tax deductibility of donations.



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501(c)(3) Public Charity: 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



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501(c)(3) Public Charity: 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



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Fiscal Sponsorship



Learn more: <https://fiscalsponsordirectory.org>

What should you know?

- Tax-exempt sponsor
- Must be mission aligned
- The sponsor has control over the funds

What should you review?

- Sponsorship Models
- Fiscal Sponsorship: "6 Ways to Do It Right" by Gregory L. Colvin

What should you consider?

- Fees to join
- Fees on money received

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II. Starting a Public Charity

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Can *anyone* form a Public Charity?

Public Charity: 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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Charitable

“The generally accepted legal definition of ‘charitable’ includes relief of the poor, the distressed, or the underprivileged; advancement of **religion**; advancement of **education** or **science**; erecting or maintaining **public buildings**, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.”

Source: IRS.gov 1023ez Publication, 2023.



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Religious

“To determine whether an organization meets the religious purposes test of section 501(c)(3), the IRS maintains two basic guidelines.

1. That the **particular religious beliefs of the organization are truly and sincerely held**. If there is a clear showing that the beliefs (or doctrines) are sincerely held by those professing them, the IRS will not question the religious nature of those beliefs.
2. That the **practices and rituals associated with the organization's religious belief or creed are not illegal or contrary to clearly defined public policy**. Therefore, an organization may not qualify for treatment as an exempt religious organization for tax purposes if its actions are contrary to well established and clearly defined public policy.”

Source: IRS.gov 1023ez Publication, 2023.



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Educational

The instruction or training of the individual for the purpose of improving or developing his or her capabilities, or the instruction of the public on subjects useful to the individual and beneficial to the community. **An organization is not educational if its principal function is the mere presentation of unsupported opinion.**

Examples of Education Organizations include:

1. An organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs. Such programs may be on radio or television.
2. An organization which presents a course of instruction by means of correspondence or through the utilization of television or radio.
3. Museums, zoos, planetariums, symphony orchestras, and other similar organizations.”

Childcare programs, schools, universities are also examples of educational programs.



Source: IRS.gov 1023ez Publication, 2023.

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Scientific

“Includes the **carrying on of scientific research in the public interest**. Scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the ordinary testing or inspection of materials or products, or the designing or construction of equipment or buildings.”

Source: IRS.gov 1023ez Publication, 2023.



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Literary

“A publishing organization must be operated exclusively for charitable purposes. These include religious or educational purposes. Often times, educational activities may also include literary and scientific publishing.”

Source: <https://www.irs.gov/pub/irs-tege/eotopice88.pdf>.



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Testing for Public Safety

“The term ‘testing for public safety,’ as used in section 501(c)(3), includes the testing of consumer products, such as electrical products, to determine whether they are safe for use by the general public.”

Source: IRS.gov 1023ez Publication, 2023.



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Fostering National or International Amateur Sports Competition

“There are two types of amateur athletic organizations that can qualify for tax-exempt status.

1. The first type is an organization that fosters national or international amateur sports competition, but only if none of its activities involve providing athletic facilities or equipment.
2. The second type is a qualified amateur sports organization under section 501(j).

The primary difference between the two is that a qualified amateur sports organization can provide athletic facilities and equipment.”

Source: IRS.gov 1023ez Publication, 2023.



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Preventing Cruelty to Children or Animals

“Prevention of cruelty to children or animals.

Examples of activities that may qualify this type of organization for exempt status are:

1. Preventing children from working in hazardous trades or occupations.
2. Promoting high standards of care for laboratory animals
3. Providing funds to pet owners to have their pets spayed or neutered to prevent over-breeding.”



Source: IRS.gov 1023ez Publication, 2023.

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Before starting a public charity, 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 Public Charity in 7 Steps

1. Choose a relevant name
2. Assemble a Board of Directors
3. Draft your Bylaws
4. Form a Nonprofit Corporation



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sos.tn.gov/charities

Tennessee Secretary of State Tre Hargett

Businesses Charities Civics Elections Publications Library & Archives Safe At Home Hearings Cont

The Secretary of State's new Charity and Business Filing System is only available to Charities and Athlete Agents.

Click here to learn how to create an account and submit filings on the new Charity and Business Filing System.

Charities

What would you like to find?

Business Services and Charitable Filings

Our mission is to our customers, th at the highest le cost-effectiveness, a

Expectations of ly operating curacy ability

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irs.gov/businesses/small-businesses-self-employed/state-government-websites

An official website of the United States Government

IRS

Help News English Charities & Nonprofits Tax Pros

File Pay Refunds Credits & Deductions Forms & Instructions Search

Home / File / Businesses and Self-Employed / Small Business and Self-Employed / State Government Websites

State Government Websites

Individuals

Businesses and Self-Employed

Business Tax Account

Small Business and Self-Employed

Employer ID Numbers

Business Taxes

Reporting Information Returns

Self-Employed

What's Available Here?

Visit the state websites below and find information on doing business in the state, taxation, links for employers, and more.

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia
- Hawaii

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Establish a Nonprofit Public Charity 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 or 1023-EZ to apply for your Federal Tax-Exemption



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The IRS 1023-EZ vs IRS 1023

IRS 1023-EZ

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

IRS 1023

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

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An official website of the United States government [Here's how you know](#) ▾

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[Browse Payments](#) [See All Agencies](#) [Help](#) [About Us](#) ▾

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

Pay.gov

<p>Department of Veterans Affairs</p> <p>Make a VA Medical Care Copayment</p> <p>Did you receive a medical bill statement from the U.S. Department of Veterans Affairs?</p> <p>Pay it right here ▶</p>	<p>Small Business Administration</p> <p>Make a SBA 1201 Borrower Payment</p> <p>The 1201 Borrower Payments should be made on the MySBA Loan Portal.</p> <p>Go to the MySBA Loan Portal ↗</p>	<p>Social Security Administration</p> <p>Repay your Social Security Overpayment</p> <p>Did you receive an overpayment notice from the Social Security Administration?</p> <p>Pay it right here ▶</p>
<p>Defense Finance and Accounting Service</p> <p>Pay a Former Military or Civilian Employee Debt</p>	<p>Internal Revenue Service</p> <p>Apply for IRS 1023 EZ</p>	<p>Treasury: Bureau of the Fiscal Service</p> <p>Pay an overdue debt to the Bureau of the Fiscal Service</p>

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Who Governs the Nonprofit?



The Secretary of State serves as the custodian for all corporate registrations. The SOS may deny, suspend, revoke your registration for non-compliance.

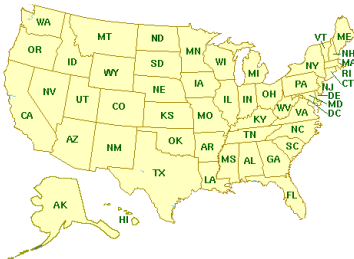
The State Attorney General may actively take action against abuses in the nonprofit sector.

If abuses are found...

The Attorney General can prevent a nonprofit from taking certain actions, remove its directors, or even dissolve the nonprofit corporation.

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Oversight



Nonprofit: Governed by State Law

- Annual Registration
- Charitable Registration

Tax Exemption: Governed by Federal Tax Code

- Adhere to IRS Charitable Purpose
- File IRS 990, 990-EZ, or IRS 990-N each year

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IV. Sustaining Your Public Charity



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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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How the world thinks nonprofits get money:



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How Nonprofits Generate Income

Fee for Services:

- Selling goods or services.
- Including mandatory and membership fees.



Charitable Contributions:

- Fundraising
- Individual donations
- Bequest

Corporate Philanthropy:

- Private Foundations
- Corporate Contributions and Sponsorships

Government Grants:

- Local, State, and Federal Grants

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Where to Find Grant Opportunities

- Foundation Center Online
- GrantGopher.com
- Grantmakers.io
- Grants.gov

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V. Nonprofit Resources

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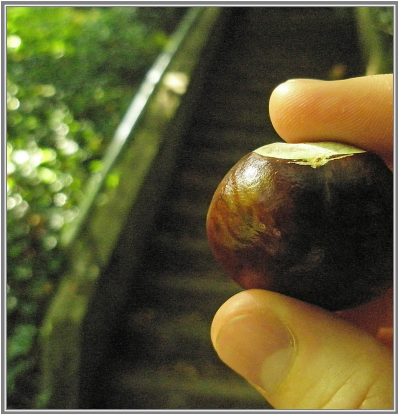
Nonprofit Resources

1. **Incorporating:** Your Secretary of State (online).
2. **State Government Websites:** IRS.gov
3. **Tax Exemption:** IRS “Staying Exempt”
4. **Free Mentoring:** SCORE.org
5. **Free Legal:** Pro Bono Partnerships
6. **Networking, Learning, & Growth:** CommunityHeroes.us
7. **Researching Funders:** IRS.gov and GuideStar.org
8. **Nonprofit Sector News & Updates:** National Council of Nonprofits
9. **Finding Grants:** Grant Databases
10. **Fiscal Sponsorship:** Fiscalsponsorshipdirectory.com

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Humble Beginnings

- **Salvation Army** – Founded in 1865 by William Booth to serve those that the church turned away. Within 10 years he had over 1,000 volunteers.
- **Feeding America** – Began with one person in the 1960’s volunteering at a local soup kitchen.



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Subscribe to newsletters **Forbes**

RANK ^	NAME	CATEGORY	PRIVATE DONATIONS	TOTAL REVENUE
1.	Feeding America	Domestic Needs	\$4.27 B	\$4.36 B
2.	Good 360	International Needs	\$2.67 B	\$2.69 B
3.	United Way Worldwide	Domestic Needs	\$2.6 B	\$3.51 B
4.	St. Jude Children's Research Hospital	Medical	\$2.46 B	\$3.3 B
5.	Direct Relief	International Needs	\$2.26 B	\$2.27 B
6.	Salvation Army	Domestic Needs	\$2.04 B	\$2.01 B
	Habitat for Humanity			

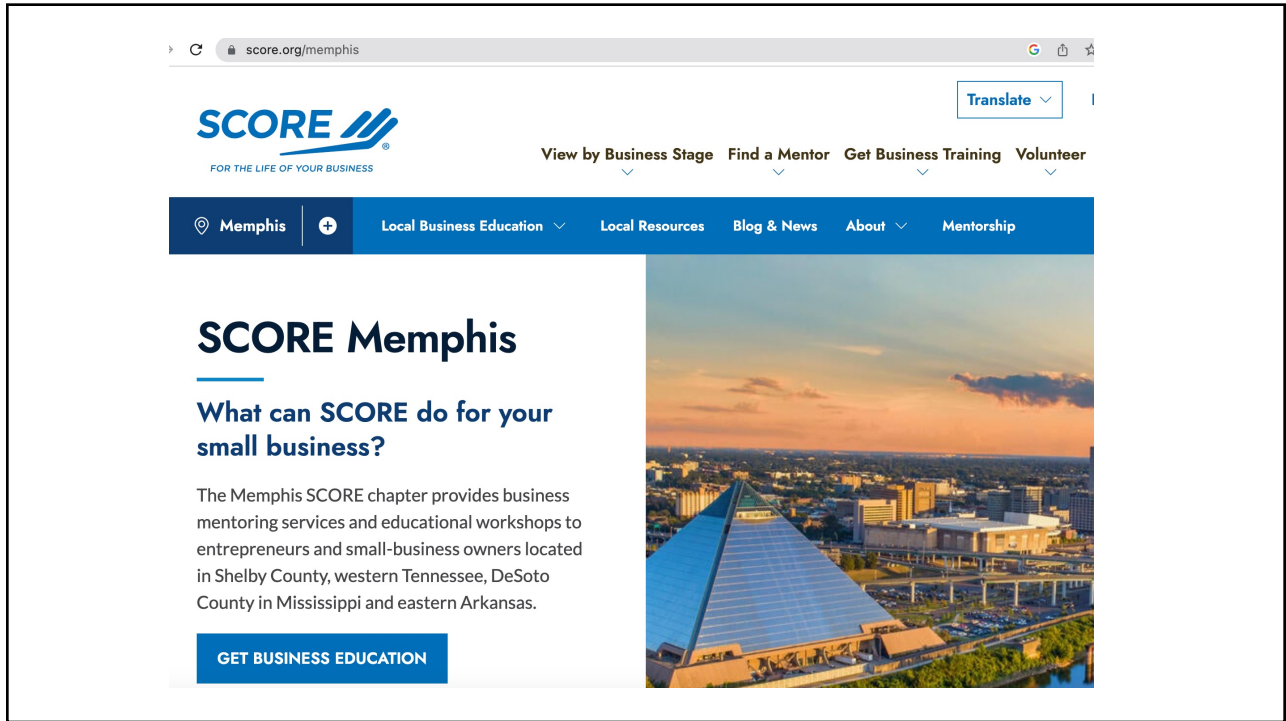
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Ending thought...

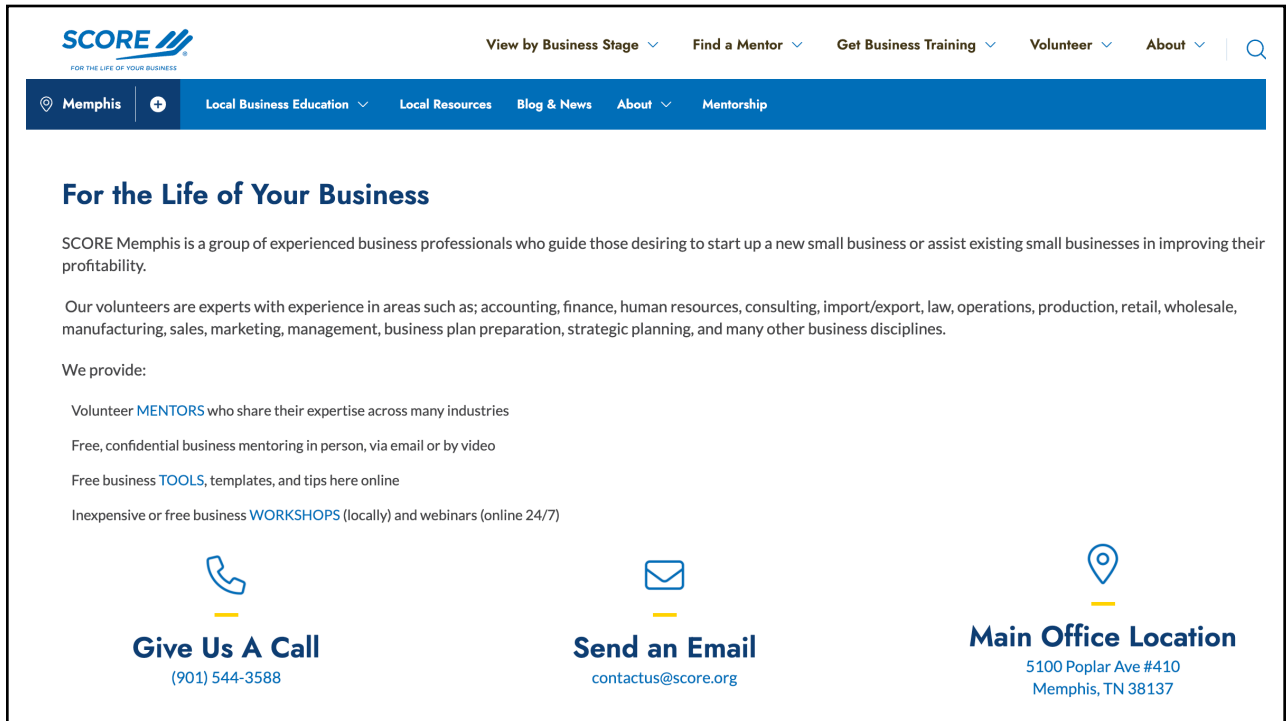
“Time asks no questions.
It goes on without you.”
Mary Delany

Be deliberate about your life and do
the thing you came here to do.

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

Our Services

1. Establish nonprofit organizations
2. Grant proposal-writing
3. Professional mentoring
4. Group coaching and training
5. Nonprofit grant lists



Professional Services Website: Dewlyn.com
Mentoring Website: Communityheroes.us
Email: csmith@Dewlyn.com
Voicemail: 800-446-0323

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