

Stride Advisors

Establishing a nonprofit organization

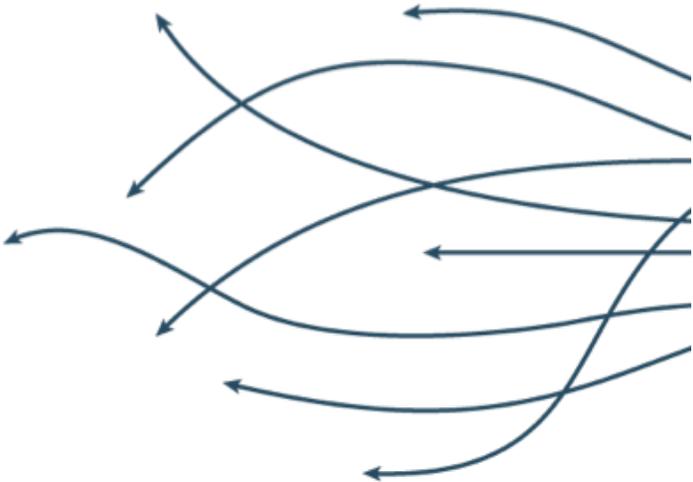
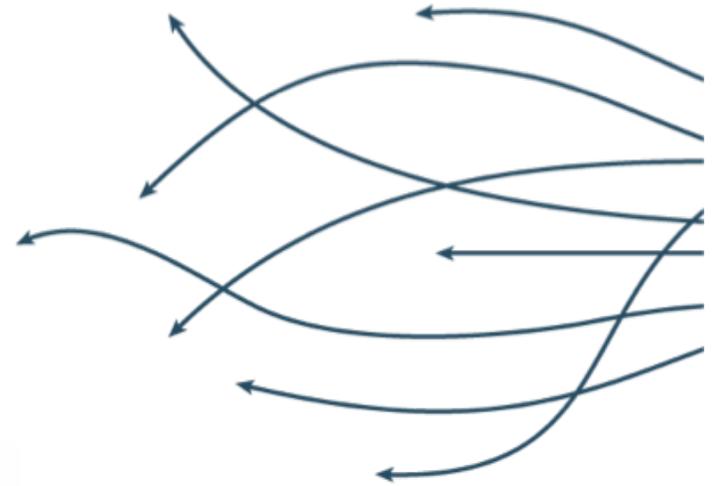




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Non-profit overview



Decisive steps... *beyond the numbers*

Types of Non-Profits

IRS Publication 557 defines 29 types of non-profits; only five which can accept tax deductible contributions

| Type | Description | Contributions Deductible? | Type | Description | Contributions Deductible? |
|------------------|---|---------------------------|------------|--|---------------------------|
| 501(c)(1) | Corporations Organized under Act of Congress (including Federal Credit Unions) | Yes | 501(c)(14) | State-Chartered Credit Unions, Mutual Reserve Funds | No |
| 501(c)(2) | Title Holding Corporation For Exempt Organization | No | 501(c)(15) | Mutual Insurance Companies or Associations | No |
| 501(c)(3) | Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations | Yes | 501(c)(16) | Cooperative Organizations to Finance Crop Operations | No |
| 501(c)(4) | Civic Leagues, Social Welfare Organizations, and Local Associations of Employees | Not generally | 501(c)(17) | Supplemental Unemployment Benefit Trusts | No |
| 501(c)(5) | Labor, Agricultural, and Horticultural Organizations | No | 501(c)(18) | Employee Funded Pension Trust (created before June 25, 1959) | No |
| 501(c)(6) | Business Leagues, Chambers of Commerce, Real Estate Boards, etc. | No | 501(c)(19) | Post or Organization of Past or Present Members of the Armed Forces | Not generally |
| 501(c)(7) | Social and Recreational Clubs | No | 501(c)(21) | Black Lung Benefit Trusts | No |
| 501(c)(8) | Fraternal Beneficiary Societies and Associations | Yes | 501(c)(22) | Withdrawal Liability Payment Fund | No |
| 501(c)(9) | Voluntary Employees Beneficiary Associations | No | 501(c)(23) | Veterans' Organization (created before 1880) | Not generally |
| 501(c)(10) | Domestic Fraternal Societies and Associations | Yes | 501(c)(25) | Title Holding Corporations or Trusts with Multiple Parent Corporations | No |
| 501(c)(11) | Teachers' Retirement Fund Associations | No | 501(c)(26) | State-Sponsored Organization Providing Health Coverage for High-Risk Individuals | No |
| 501(c)(12) | Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc. | No | 501(c)(27) | State-Sponsored Workers' Compensation Reinsurance Organization | No |
| 501(c)(13) | Cemetery Companies | Yes | 501(c)(28) | National Railroad Retirement Investment Trust | No |
| | | | 501(c)(29) | CO-OP health insurance issuers | No |

Qualifying for "501(c)(3)" status

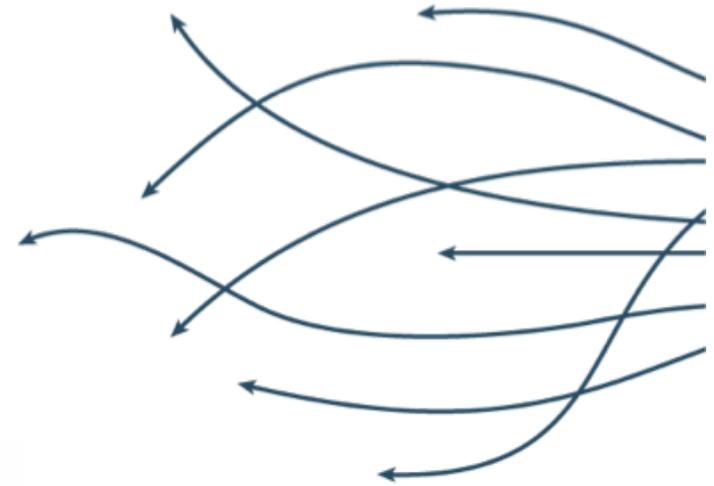
Being "501(c)(3)" means that a nonprofit organization has been approved by the Internal Revenue Service as a tax-exempt, charitable organization.

"Charitable" is broadly defined as being established for purposes that are religious, educational, charitable, scientific, literary, testing for public safety, fostering of national or international amateur sports, or prevention of cruelty to animals and children.

The basic requirements are:

- It must be organized and operated **only** for exempt purposes.
- It must not be organized or operated for the benefit of any private interest. Its net earnings may not benefit any private shareholder or individual. Nonprofits can make a profit, but that profit must support charitable purposes only.
- It is restricted in political and lobbying activities

Establishing the mission and plan



Decisive steps...*beyond the numbers*

Establish a compelling mission for your non-profit

The mission statement sets the overall direction for the non-profit

- The mission statement should clearly communicate what the non-profit does and why. Many mission statements succumb to an overuse of words in general, but especially jargon.
- Good mission statements are **clear, concise, and useful**.
- The best non-profit mission statements are “inspiring”

Benefits of a compelling mission statement

- It focuses your energy and clarifies your purpose
- It motivates board, staff, volunteers, and donors
- It is used to get IRS approval as a tax-exempt organization

Take action

- As a new organization, don't dwell too long: there will be a ample opportunities to update it
- If it takes too long to develop, maybe you are not yet ready to form

Our Cause
Who? What? Where?

Our Actions
What we do

Our Impact
Changes for the better

Set a high-level operational and financial objectives

The non-profit needs to start with a high-level operational and financial plan

OPERATIONAL

Establishing program service activities

- Definition of significant program service activities
- Confirm linkage of program service activities to the organizational mission
- Steps to update and refine program service activities (maintain program mission focus)

Six month ramp-up plan

- Skills / talent needed
- High-level project plan with milestones

Fundraising strategy

- Initial sources of funds
- Longer term plan for sources of funds

Expected Challenges

- Identification of expected challenges
- Scenarios and plans address top challenges

FINANCIAL

Startup costs / needed assets

- Filing fees
- Equipment
- Promotion

Expected sources of revenues

- Charitable donations
- Event fees
- Other reoccurring revenue sources

Expected uses of funds

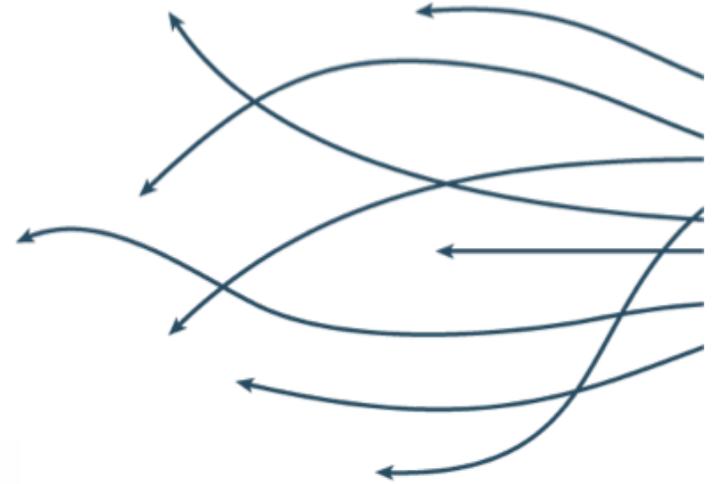
- Grants, gifts and contributions
- Programming costs
- Rents / salaries / administrative fees

Target expense ratio

- Planned ratio of expenses to revenues after full year of operation

• SAP Security Domain Expert(s)
• Security Policy and Controls Leader

Filing requirements and timelines



Decisive steps...*beyond the numbers*

Steps in establishing the "501(c)(3)"

There are six key steps to establish the 501(c)(3)

| Step | Key Activities | Timeline |
|--|---|--|
| Choose the legal names | The name of your nonprofit corporation cannot be the same as the name of another corporation on file with Illinois secretary of state http://www.ilsos.gov/corporatellc/ https://www2.illinois.gov/business/manage-your-business/SOS/llc-name | Done when known |
| File articles of incorporation | Create and file not-for-profit articles of incorporation with the Illinois Secretary of State's office. | 1-2 weeks |
| Apply for your federal IRS tax exemption | Apply for your tax exemption by submitting a federal 501(c)(3) tax exemption application to the IRS | Typically 1-3 months, can be longer |
| Draft bylaws | A nonprofit's bylaws are the internal governing rules that contain rules and procedures for holding meetings, voting on issues, and electing directors and officers. | Under a week, standard ones can utilized for the simple non-profit |
| Appoint directors and hold the first meeting | A nonprofit's directors make the major policy and financial decisions for the nonprofit. Illinois requires at least three directors. | Should be done as soon as possible |
| Complete the first IRS 990 | The 990 (Return of Organization Exempt From Income Tax) is the publicly available IRS filing showing organization mission, the sources and use uses of funds and other operating details | Done before first due date (5/15/18) |



Addressing retroactive donations

Charitable donations made while the application was pending will be retroactively deductible

Effective Date of Exemption

If a nonprofit's application for 501(c)(3) status is approved by the IRS, donations made while the application was pending are retroactively deductible. If your nonprofit applies for exemption within 27 months of incorporation, the effective date of exemption is the date the nonprofit was organized. If you apply for 501(c)(3) status after 27 months of incorporation, donations made after the exempt application was submitted will be deductible. However, deductible donations made while the application is pending are dependent on the IRS ultimately finding that your nonprofit is exempt.

Substantiating Donations

As an organization with a pending 501(c)(3) status, you must follow IRS rules for record keeping and substantiating donations. For all donations over \$250, the donor may request a written acknowledgement from the nonprofit. The written acknowledgement must provide the name of the organization, amount and description of the donation, and if any goods or services were given in exchange for the donation.

The key to addressing retroactive donations is to accept them only after submission of the application for exemption



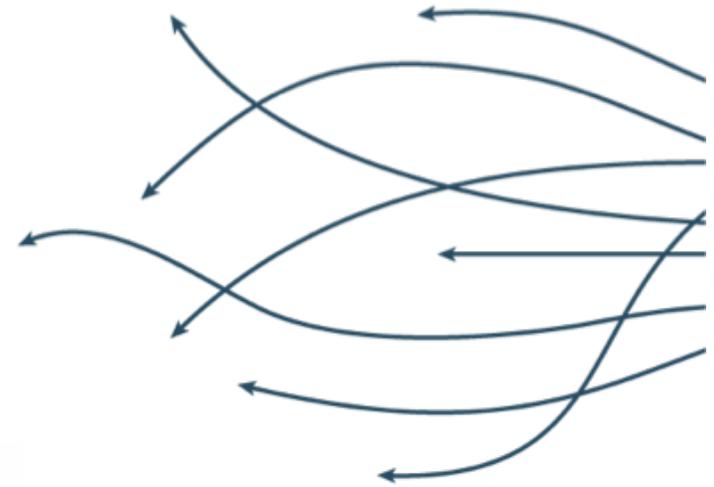
IRS form 990 is public record – using it to your benefit

Form 990 - and especially Schedule O - is a chance for not-for-profits to tell their stories.

Don't miss the opportunity to spotlight the mission, programs, and accomplishments of the organization and explain information that could be misinterpreted by only looking at the Core Form.

- The public looks at the Form 990 as a key component for due diligence when they are considering a commitment of time or resources to an organization
- They want to understand the not-for-profit's financial health and ability to carry out its mission and program activities, as well as the strength of its governance

How Stride Advisors can assist



Decisive steps...*beyond the numbers*



Services provided by Stride Advisors

Stride Advisors can help your charitable organization achieve strategic goals

Non-profit administration

- Filing and managing Illinois incorporation records
- Submitting initial and on-going IRS reporting
- Record keeping of board of directors meetings

Operational support

- Setting up and performing accounting and bookkeeping
- Processing employee payroll (if needed)
- Other "as needed" services

Strategic support

- Leadership advise and consultation
- Review of project plans
- Facilitation of mission refinement