NOT-FOR-PROFIT CORPORATIONS
Research Network Tip Sheet

What is a Not-for-Profit Corporation?

A NYS Not-for-Profit Corporation is formed in accordance to an IRS corporate law concept that governs tax exemptions to qualifying organizations. A corporation is based on achieving social goals that benefit the community or its members. Owners including the board of directors along with their family are prevented from using the money that is profited by the corporation for personal use; rather earnings are recycled back into the organization itself.

Checklist for Establishing a Not-for-Profit

- File NYS Certificate of Incorporation (www.dos.ny.gov/forms/corporations/1511-f-l.pdf)
- Select individuals for the Board of Directors (must be 18 or older)
- Develop vision and mission statements
- Establish bylaws and board policies
- Obtain an Employer Identification Code (EIC)
    - http://tinyurl.com/9qdheac
    - Over the phone at 800-829-4933
- Open bank account and establish check signing procedures
- File for federal tax exemption
- Find office space and obtain equipment
- Recruit staff and prepare a personnel manual
- Establish a payroll system
- Develop an overall fundraising plan

Not-for-Profit Formations

501(c)3

A 501(c)3 is a classification where a private member of family member cannot receive any form of profit. They are granted exemption from Federal Income Tax, though this does not make them exempt from all taxes (i.e. employment taxes). 501(c)3 are commonly referred to as "charitable organizations".

Organizations statutorily classified as public charities under section 509(a) of the IRC are:

- Churches and other religious organizations
- Schools, education, or literacy organizations
- Prevention and assistance for specific populations (i.e., children, animals, etc.)
- Organizations that provide medical or hospital care, education, or research
- Organizations that receive a large part of their support from the public or government.
- Organizations that normally receive not more than one-third of their support from gross investment income and more than one-third of their support from contributions, membership fees, and gross receipts from activities related to their exempt functions.
- Organizations that support other public charities.

501(c)6

A 501(c)6 organization is more geared towards generating a common business interest, but not a business that is ordinarily carried on for profit. It must be a membership organization and have a meaningful extent of membership support. Contributions to 501(c)6 are not tax deductible as charitable contributions but may be deductible as trade or business expenses. It must be shown that the conditions of a particular trade or interests of the community will be advanced. Common 501(c)6 businesses are:

- Chamber of commerce
- Board of trade – promotes industries, i.e. Real Estate
- Real estate board- improving the business conditions in the real estate field

Hybrid

Organized to include a for profit business with a non for profit entity. Hybrid corporations usually consist of a charitable organization that has established a non-related way to earn revenue. For example a company, Toms, sells shoes and for every shoe they sell they will send a pair to children in need in a different country. http://www.toms.com/

Resources

IRS Tax Information for Charities & Other Non-Profits - http://www.irs.gov/Charities-&-Non-Profits

Articles, forms, books, etc. from NOLO - http://www.nolo.com/legal-encyclopedia/nonprofits

Grants and Funding

Foundation Directory Online http://fconline.foundationcenter.org

Local:

- Funding from a hundreds to thousands or more for projects focusing on local issue
- Google- <my town> foundation/ <my county> foundation/<my state> foundation
- Grant Experts http://www.grantexperts.info/search_for_grants.php
- Grant Space http://grantspace.org/Find-Us

Topical:

- Search for grants that address organization's specific concern "childhood literacy grants" or "literacy grants New York"
- State or federal department most relevant to topic (Department of Education for literacy or education or the National Endowment for the Arts for the arts)
- Professional associations and passionate member sites, listserv or e-newsletter.
- Blogs such as http://librarygrants.blogspot.com/

Federal:

- Grants.gov http://www.grants.gov

NYS SBDC Research Network
The State University of New York ● 22 Corporate Woods ● Albany, NY 12246
(518) 443-5398 ● (800) 732-SBDC

Apr-15