

Formalizing the Organizational Structure of the Interpreting Stakeholders Group

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Reasons for seeking legal status

- Fundability
- Fundability
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 - Organizational and chain of responsibility that is clear and evident to funders
 - Able to be the fiscal agent
 - No issues of whose agenda/fewer conflicts of interest will arise

Why 501(c)3?

- Eligible for more grants
- It is still permitted to propose legislation
 - There are three pages on this in the CNP handbook, but basically as long as we fill out IRS Form 5768 and follow IRS rules on lobbying detailed in section 501 (h)
 - (no more than 20% of our money is spent on lobbying and 5% on grassroots lobbying, assuming an annual budget of \$500,000 or less, 15%, 10%, and 5% at various other levels)

there is no problem.

We will also need to fill out Part VI of Schedule A of Form 990 when filing our “not-a-tax-form” each year.



When do you form a nonprofit?

- When you take in more than \$25,000 per year
- When you want to receive grants

Discussion to be had

- There is undoubtedly more discussion to be had regarding doing this, but right now I'm going to describe the process for doing this, so we can also consider logistical issues during the discussion.

Non-profits

- Non-profits are formed to fill a gap in the community and are driven by a focused mission. All programs should forward the organization's mission by accomplishing one or or more goals set by the board of directors.

501(c)3

- The IRS grants this exemption status to organizations that:
 - Serve charitable, religious, scientific, or educational purposes, and
 - Ensure that no part of the income generated by the organization goes to the benefit of any one person. Donations to 501 (c) (3) organizations are tax-deductible.

Documents to be maintained

- Monthly income and expense statements
- Monthly balance sheet
- Board minutes
- Board membership roster with terms of office
- List of donors
- Annual IRS Form 990
- Annual report filing with MN Attorney General
- Annual filing with MN Secretary of State
- Annual audit if income over \$350,000
- Full range of employment and benefit admin (personnel files, withholdings, FICA reporting and more)

ISS

We do not want any employees

- At least not for a long, long time.



Steps to becoming a non-profit

- | | |
|-----------|--|
| YES 5/25 | 1. Determine if you really need to start a non-profit. |
| Done 2004 | 2. Decide on a purpose and mission |
| 6/9/06 | 3. Recruit board members |
| 6/11/06 | 4. Reserve a name |
| 6/9/06 | 5. Write the articles of incorporation |
| 6/13/06 | 6. Incorporate as a nonprofit |
| 7/06 | 7. Create a business plan with a budget |
| 7/06 | 8. Draft the corporate bylaws |
| 8/06 | 9. Hold the first meeting of the board |



Steps to becoming a non-profit

August/September

Federal Filing

10. Apply for Federal ID number (takes 10 minutes)
11. Obtain tax-exempt status from IRS (takes 6 months)

Minnesota Filing

12. Apply for sales tax exemption from state (after above)
13. Receive tax ID number (after above)
14. Register as a charity (after above)

Annual Filing

15. File annual reports with IRS and State of Minnesota

Forms to be filed

- Reservation of Name \$35
- Articles of Incorporation \$70
- Form 1023 [501(c)(3)] \$500
- Charitable Registration \$25



Annual Filings

- IRS Form 990
- Annual Report (Attorney General)
- Secretary of State Annual Registration
- Receipts for contributions over \$250

Expenses

- General liability insurance still determining
- D&O insurance still determining
- Documenting contributions still determining
- Accounting Services still determining
- Annual audit if more than \$350,000 in revenue \$500 per year
- Website \$7.95 per month

Lobbying

- Can a 501 (c) (3) lobby?
- Yes! And it should. Organizations can elect to be covered under the 1976 lobby law and follow the expenditure regulations set out by 501 (h) of the IRS tax code.
 - Page 29 *Handbook for Starting a Nonprofit*

Lobbying Definition

- Lobbying is defined as “trying to influence legislation”.
 - Page 29 *Handbook for Starting a Nonprofit*

10 reasons to lobby

7. Policy makers need your expertise.

Few institutions are closer to the real problems than nonprofits. Policy-makers need to hear from non-profits and learn from their stories.

– Page 30 *Handbook for Starting a Nonprofit*

Lobbyist Registration in MN

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- A lobbyist is required to register with the Minnesota Campaign Finance and Public Disclosure Board if he or she engages in the following activities:
 - Accepts pay or other consideration or is authorized by another individual, association, political subdivision, or public higher education system to spend money.
 - » AND
 - Spends more than 5 hours in any month or more than \$250 in a calendar year for the purpose of attempting to influence legislation or administrative action.
 - Is an appointed local official or employee of a political subdivision who spends more than 50 hours in any month attempting to influence legislation or administrative action.
 - Spends more than \$250 of his or her own funds in any given year (not including travel expenses and membership dues) for the purpose of attempting to influence legislative or administrative action.



Election to be covered by the 1976 lobby law and expenditure test for 501 (c) (3)

- File IRS Form 5768



Expenditure test for 501(c)(3) lobbying

Total annual expenditures	Total lobbying expenditures limit	Grassroots lobbying expenditures limit
Up to \$500,000	20% (\$100,000)	5% (\$25,000)
\$500,000 – \$1,000,000	\$100,000 plus 15% of total expenditures over \$500,000	\$25,000 plus 3.75% of total expenditures over \$500,000
\$1,000,000— \$1,500,000	\$175,500 plus 10% of total expenditures over \$1,000,000	\$43,750 plus 2.5% of total expenditures over \$1,000,000
\$1,500,000— \$17,000,000	\$225,000 plus 5% of total expenditures over \$1,500,000	\$56,250 plus 1.25% of total expenditures over \$1,500,000
Over \$17,000,000	\$1,000,000	\$250,000



To file Request for Reservation of Name

- Address
- \$35.00



To file Articles of Incorporation

- People to serve on board of directors until first Annual Meeting.
- Four incorporators from this group.
- \$70



What we need for Aug/Sept

- Figure out where to get the remaining \$550 for the process of becoming a non-profit.
- Find a volunteer to figure out if we want to have a voting membership or not for the by-laws.