

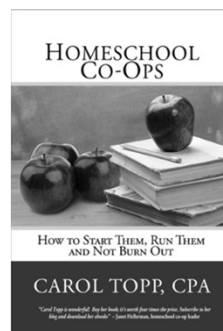
# Create a Nonprofit for Your Homeschool Community

CAROL TOPP, CPA

HOMESCHOOLCPA.COM



**Carol Topp, CPA**



## Agenda

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- Difference between a business and a nonprofit
- Advantages and disadvantages
- Forming a board
- Nonprofit incorporation
- Creating bylaws
- Drafting a budget and setting up a bank account
- The time and expense

## A nonprofit is:

Organized and Operated

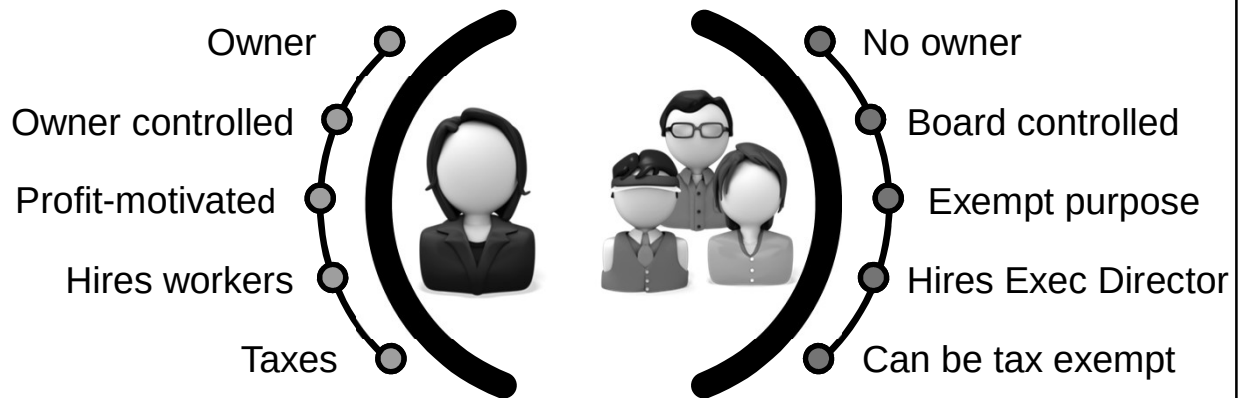
Founding document  
Bylaws  
Articles of Incorporation

Purpose  
Educational



No profit motive  
No owner. Board run

## Business vs Nonprofit



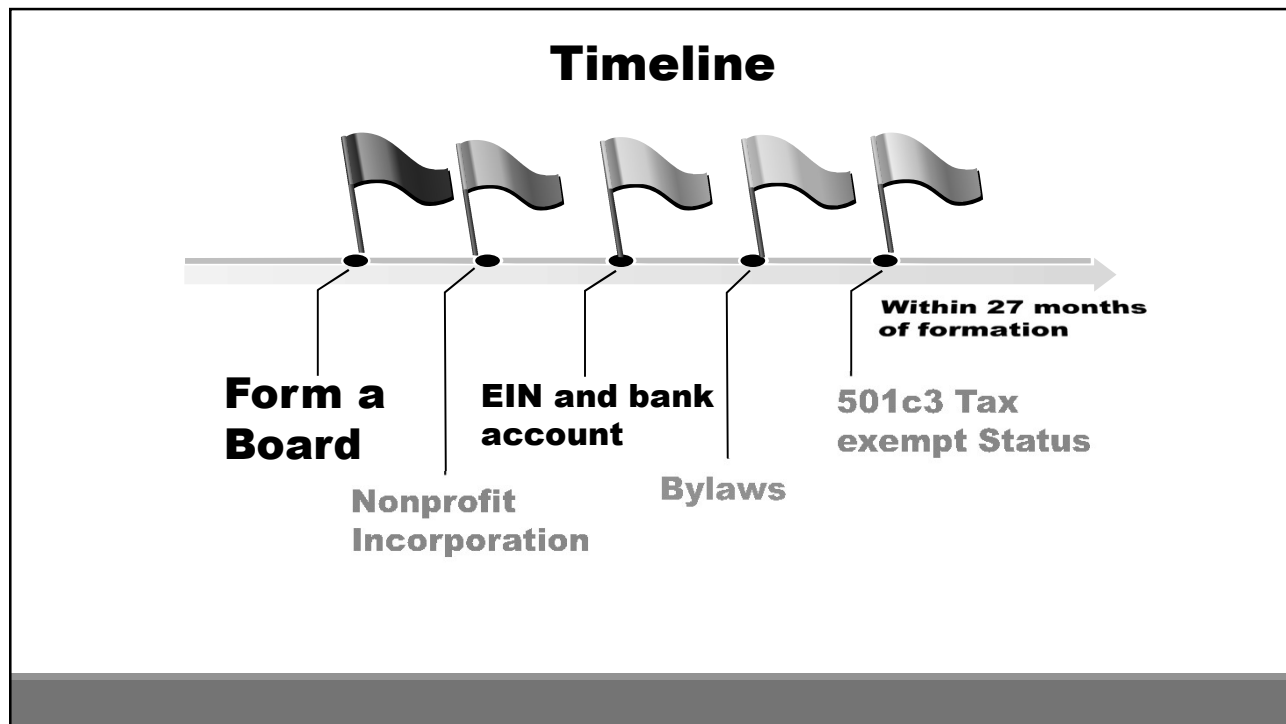
### POSITIVES

- Teamwork
- Eligible for tax exempt status & donations
- Mission-oriented
- Volunteers
- Respectability

### NEGATIVES



- Lose control
- Not tax exempt = taxes
- No exempt purpose
  - No church host! ☹️



## BOARD



### Governance:

Mission  
 Strategy & goals  
 Establish policies  
 Accounting procedures  
 Legal compliance  
 Hire and appraise Exec Director

## PAID STAFF



### Management:

Day-to-day operations

### **Dual roles common in small and start up nonprofits**

Excellent short videos: <https://www.youtube.com/user/foundationgroup/videos>

## Board duties

**Duty of Care:** Attend meetings,  
 read financial statements

**Duty of Loyalty:** Conflict of  
 interest policy, avoid personal  
 advantage



## Board duties

### **Duty of Compliance/Obedience:**

Read the bylaws and policies.  
Know and obey the required IRS  
and state laws.

**Duty to Management:** Develop a  
budget, accounting checks and  
balances, etc.



## Financial Statements

Financial reports should  
delivered to the board **every  
month.**

Financial best practices at  
[HomeschoolCPA.com/Fraud](http://HomeschoolCPA.com/Fraud)

MONEY MANAGEMENT  
IN A HOMESCHOOL  
ORGANIZATION



A GUIDE FOR  
TREASURERS

CAROL TOPP, CPA



## **Who can be on the board?**

### **Board Qualifications**

- ✓ Passion
- ✓ Business skills
- ✓ Nonprofit or committee experience
- ✓ Able to help make financial decisions
- ✓ Integrity, value compliance and transparency

<https://www.501c3.org/setting-up-your-nonprofit/>

## Unrelated board

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Unrelated by **Family**

◦ AHG example

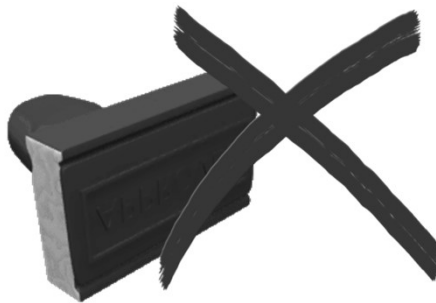
Unrelated by **Business and employment**



<https://www.501c3.org/nonprofits-board-directors/>

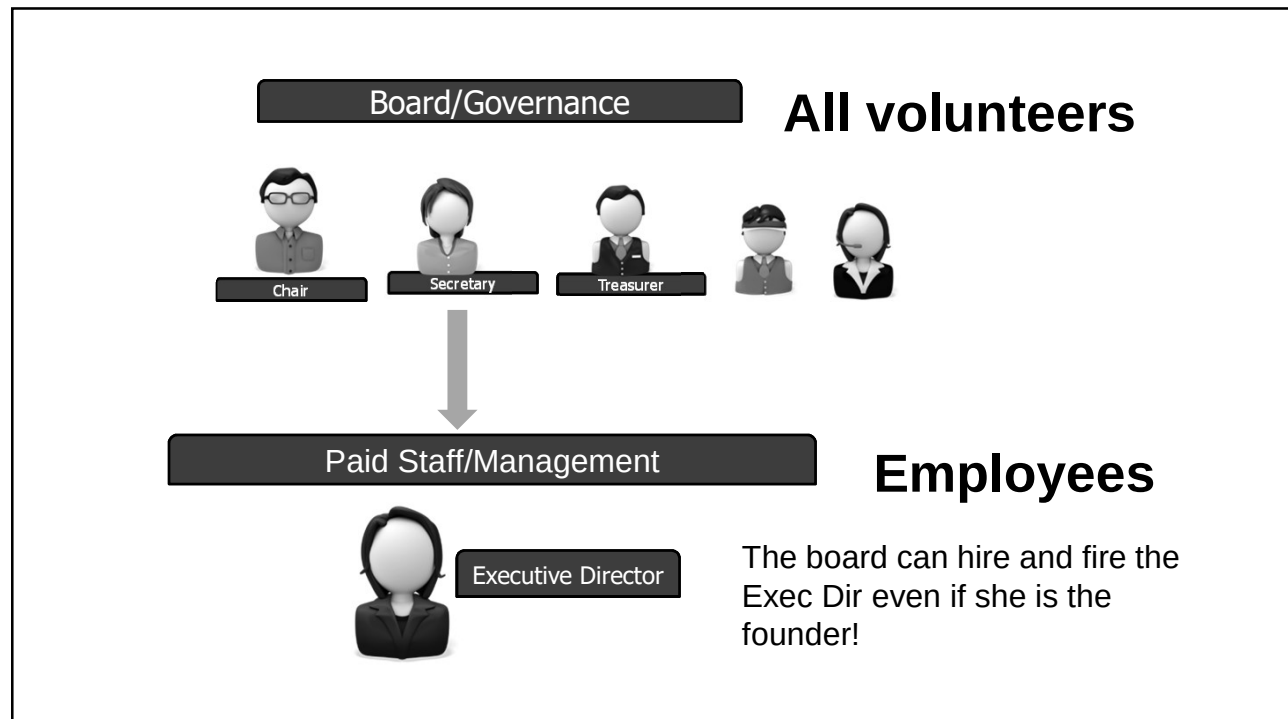
## No rubber stamp boards!

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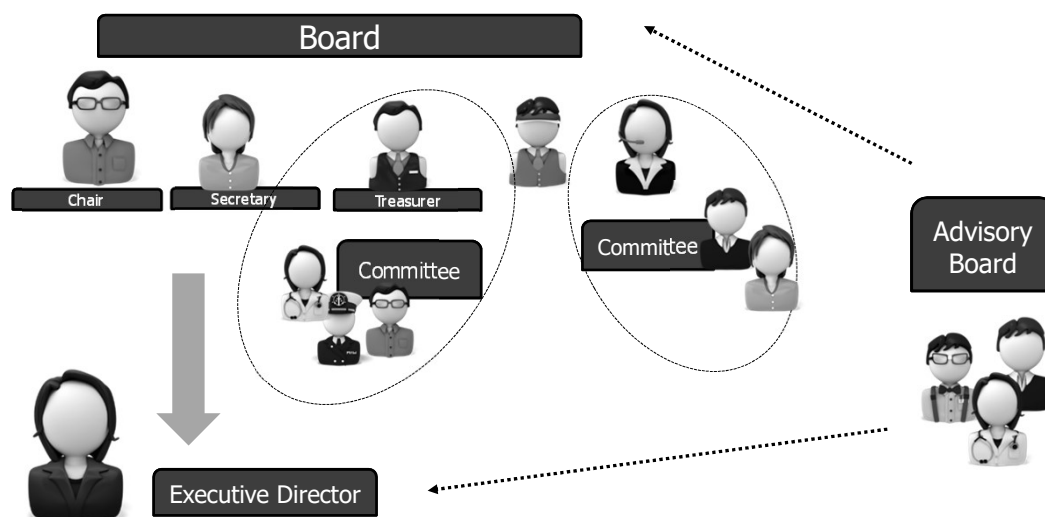
# Board Structure



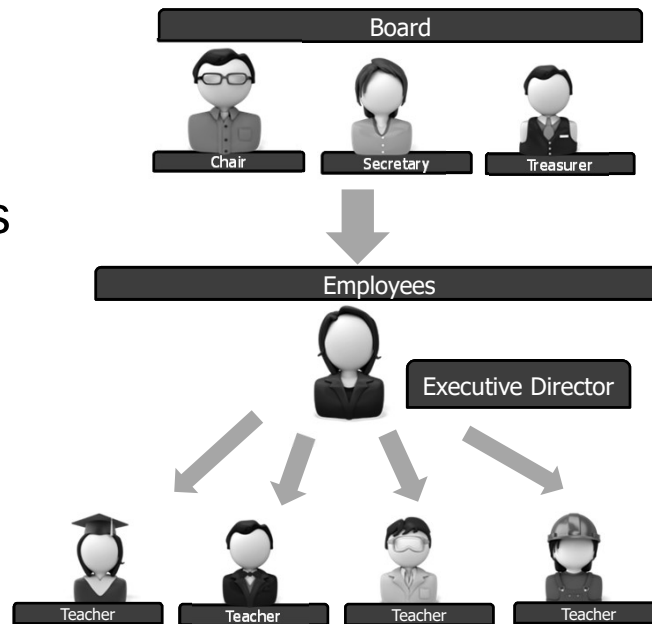
## Typical homeschool co-op/small nonprofit



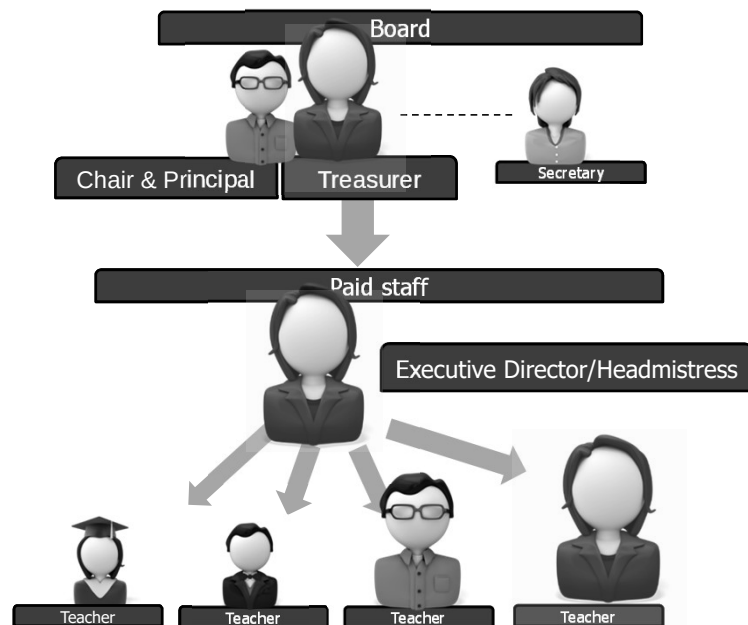
## Getting others involved in your nonprofit



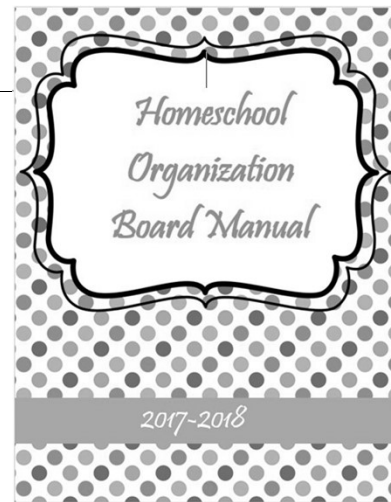
Hiring  
employees



**WRONG!**



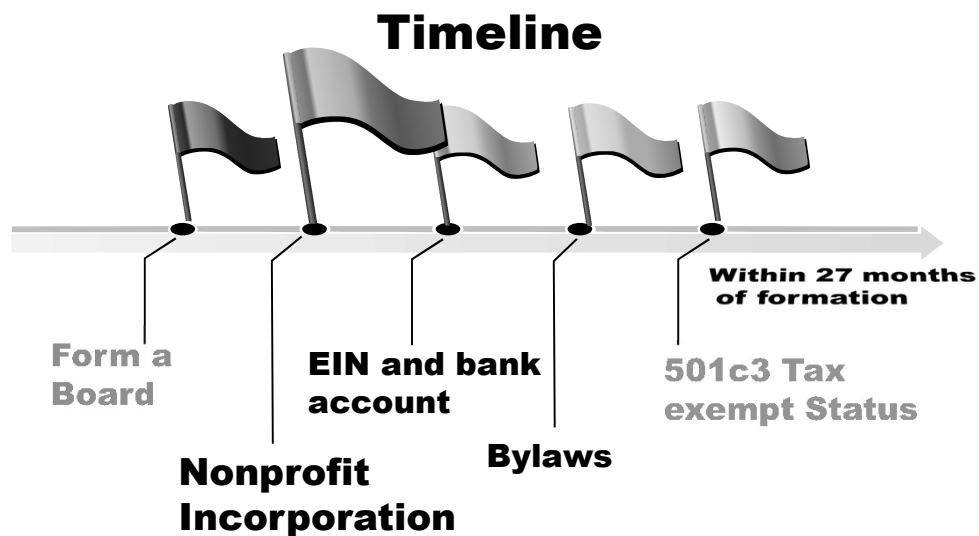
## Nonprofit Boards



Questions?



# Nonprofit Incorporation



## Advantages of NP Incorporation

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Protect leadership: Limited liability

By default: *unincorporated association*

Individually and severally liable

Legal entity

Hire employees, sign lease/contracts/licenses, buy property *in name of corporation*

Longevity

## Articles of Incorporation

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### Birth Certificate

Filed with your state's  
Secretary of State

Use your state form

HarborCompliance.com>Information Center>Nonprofit Start Up Guide  
>Formation by State



## IRS required language for 501c3 status

1. Purpose statement
2. Limitations
3. Dissolution clause

See [HomeschoolCPA.com/Samples](http://HomeschoolCPA.com/Samples)

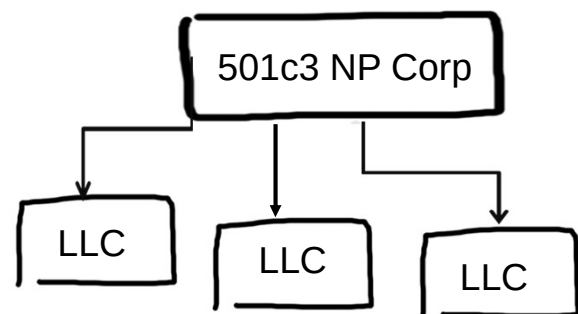


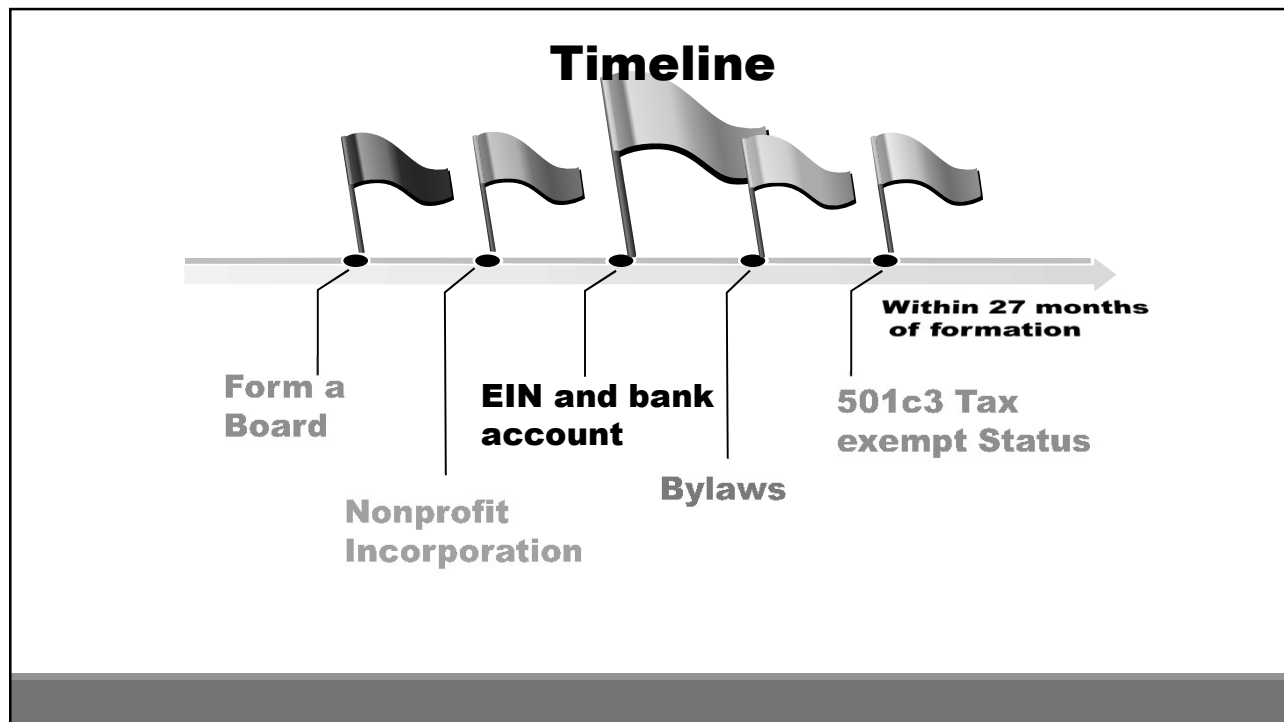
## Should my nonprofit be an LLC?

Nonprofit Corp offers limited liability like LLC

IRS 12 conditions

Nonprofit LLCs cannot get 501c3 status unless under a 501c3

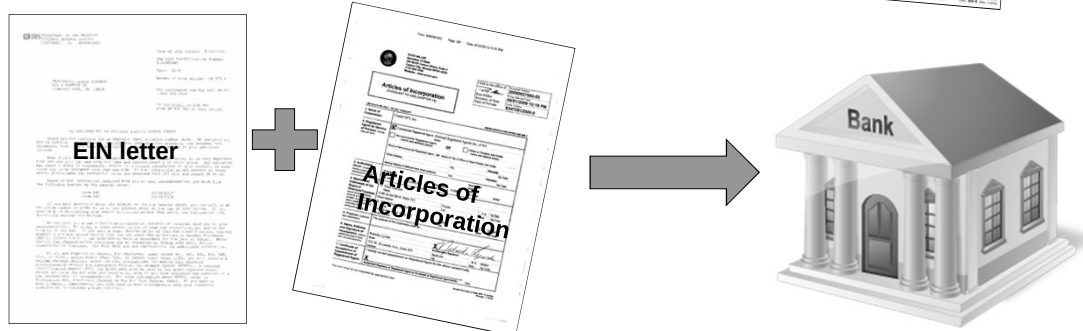




## EIN and Bank account

Get EIN (free) at IRS.gov    Form SS-4

Open bank account





# Money Management

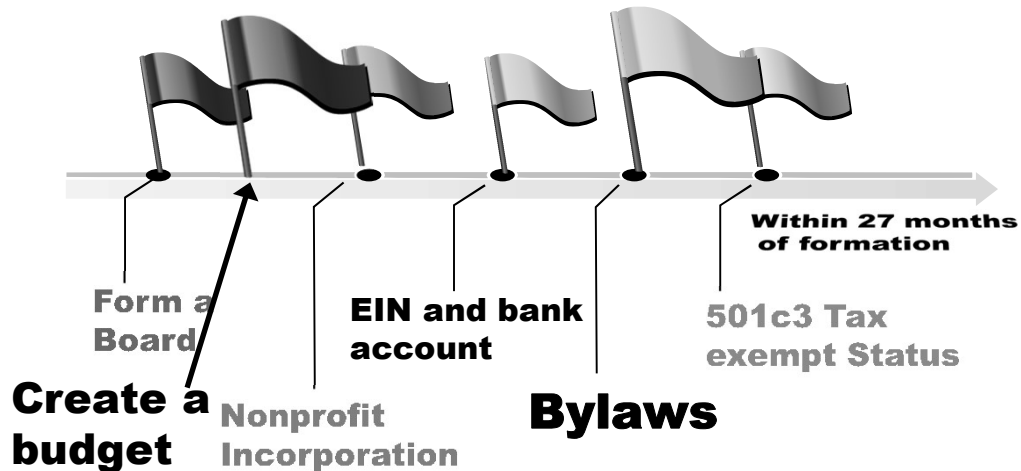
Create a budget early on!



FREE: [HomeschoolCPA.com/WebinarFR](http://HomeschoolCPA.com/WebinarFR)



## Timeline



# Bylaws

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## Bylaws

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Rules of how an organization will operate

- Are there members? Do members vote? On what?
- How often are meetings held?
  - Can they be held by phone or video?
- How are board members chosen?



## More on Bylaws

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- Board officers, roles
- Executive Director
- Committees
- Conflict of Interest policy

Sample bylaws at [HomeschoolCPA.com/Samples](http://HomeschoolCPA.com/Samples)



## State Filings for Nonprofits

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**Dept of Revenue:**  
Corporate tax  
exemption. Sales tax  
exemption.



**Secretary of State:**  
Nonprofit corporate  
status update every  
1-5 years.



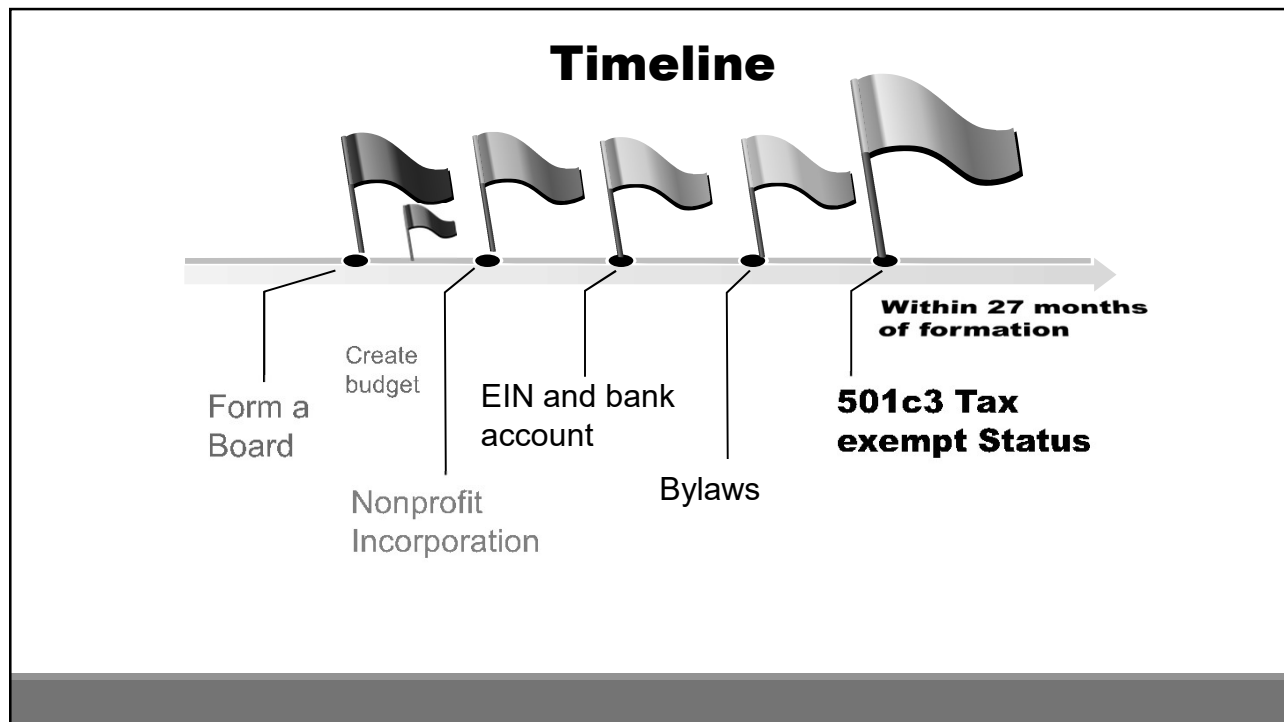
**Attorney General:**  
Charitable Solicitation  
for donations or  
fundraisers

[HarborCompliance.com](http://HarborCompliance.com)>Information Center>Resources by State

**Questions?**



**Tax Exempt Status**

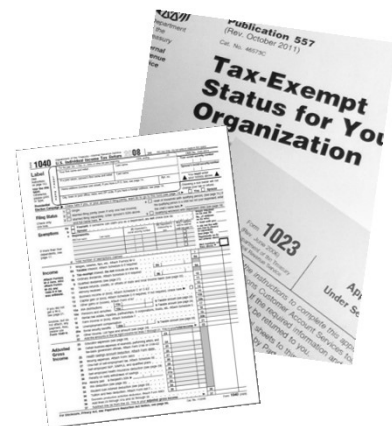


## Nonprofit not same as tax exempt status



Nonprofit status like married couple

Tax benefits come with filing tax forms!



## Does my nonprofit have to be tax exempt?

No, but...

### **Pay corporate income** tax on surplus

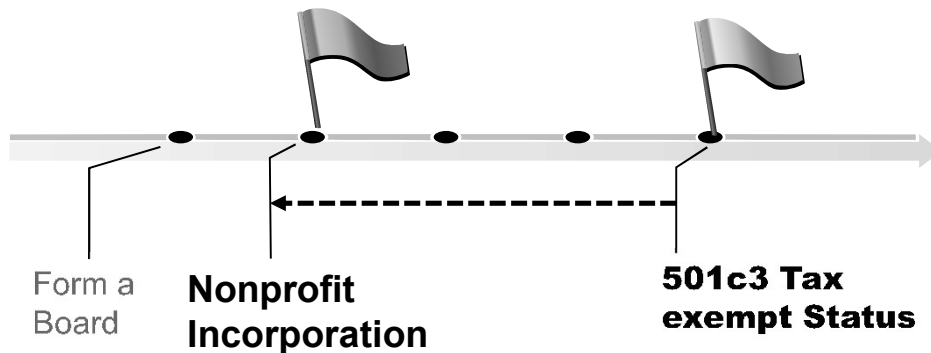
- 21% of profit on IRS Form 1120

No tax deductible donations or Box Tops, etc.  
that require 501c3 status

Perhaps no sales tax or property tax  
exemptions (varies by state)



## Apply within 27 months of formation



IRS will **back-date** tax exempt status to date of formation

## Filing with IRS for 501(c)(3) status

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### FORM 1023-EZ

Revenues < \$50,000/year  
IRS fee \$275  
1-4 weeks



### FORM 1023 (26 PAGES)

Revenues > \$50,000/year  
IRS fee \$600 +  
3-6 months



## Tax exempt application webinar

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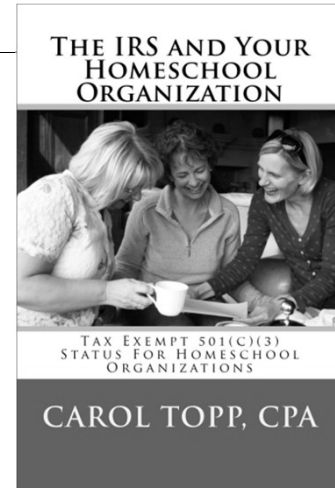
Coming June 2019

- IRS Forms
- Cost
- Tips for DIY



## 501c3 tax exempt status

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## Convert a Business into a Nonprofit

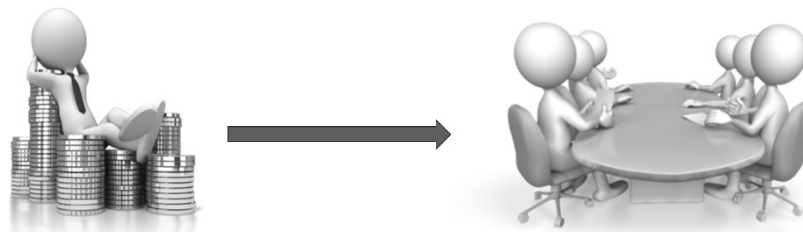
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## Convert For-profit to Nonprofit “Successor to a for-profit entity”

*Substantially taken over all the assets or activities of a for-profit entity;  
Been converted or merged from a for-profit entity; or  
Installed the same officers, directors of a for-profit entity that no longer exists.*

- IRS Instructions to Form 1023-EZ



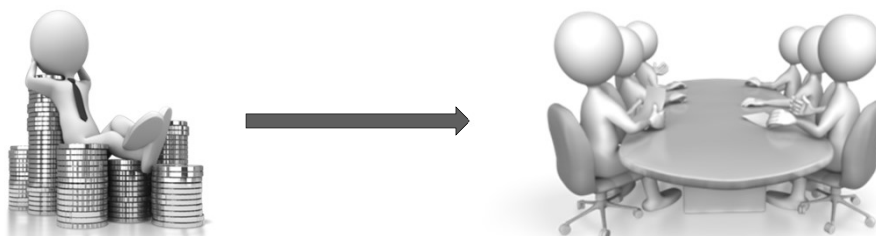
## Successor to a for-profit entity

IRS requires longer application Form 1023

Narrative, financial statements, Articles of Incorporation, bylaws etc.

IRS focus of audits, questions, etc.

-IRS 2019 Exempt Org Work Plan

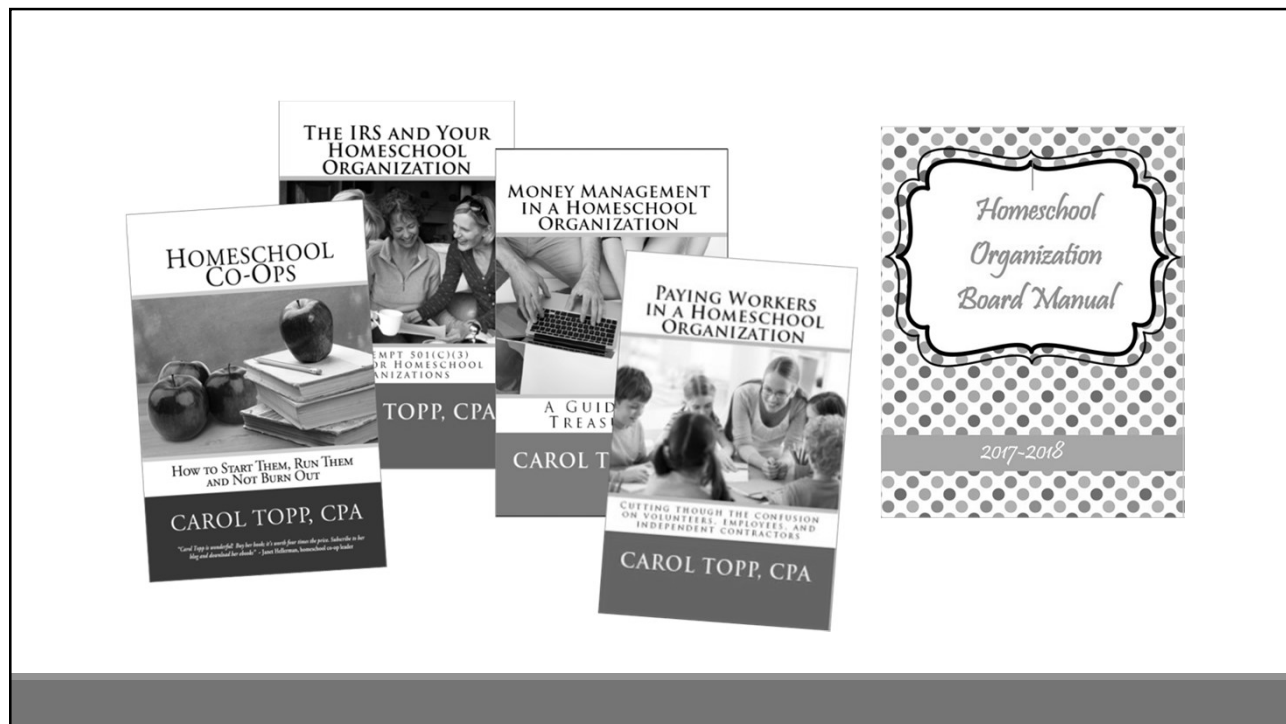


# Cost

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## Cost

	IRS 1023-EZ	IRS Form 1023
Nonprofit incorporation	\$20-100	\$20-100
EIN	free	free
501c3 IRS fee	\$275	\$600
501c3 Professional help	\$300-\$400	\$1,275-\$3,000
Carol Topp CPA	\$85/hour	\$85/hour
<b>Total for tax exempt status</b>	<b>\$680-\$760</b>	<b>\$1,980-\$3,785</b>
Attorney to review legal agreements (licenses, employee contracts, leases, etc.)	\$500-\$2,000	\$500-\$2,000



## NEED HELP?



Contact Carol Topp, CPA  
for a one-on-one consultation

[Carol@HomeschoolCPA.com](mailto:Carol@HomeschoolCPA.com)

# HomeschoolCPA.com

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**Questions?**

