**Yes, You Can Start a Non-Profit!**

What I'm going to take you on today is a very fast roller coaster ride learning about the pluses and minuses of starting a nonprofit organization. You will learn some things you didn't know, you will learn some things you thought you knew that are not true and you will learn that your friends and family don't always know the right answers either. Before we start on this journey, please do one thing. Write down the one most important thing you want to learn today. When we are done, if your question wasn't answered, you can post it during the Q&A session and I will be sure to answer it for you. This presentation is specifically for a 501C3 charitable our nonprofit organization. There are other subsections of nonprofits but their rules are different in a few important ways. We won't have time to go through those today. As a 501(c)(3) organization you are organized to benefit society for the greater good. Americans are unique in the world because of our cultural beliefs and forming associations and giving back. This was something noted as long ago as 1835 by the French philosopher, trending -- [name unknown] , it struck him as odd as how Americans banded together. Whether it was a neighbor's barn raising or the society of prevention for cruelty to animals. In today's world to be successful as a nonprofit you must have a business plan. I must put a plug-in here. Any SCORE mentor can help you create one.

As you write up your business plan and the documents always remember that the fruit of your labor grows on other people's trees. In the beginning that's easy. Later on it can be frustrating to never receive recognition for the work you do. People spent a lot of time thinking about and writing down their vision. Everyone knows you must have them but what are they exactly? Here is an easy explanation. Your vision is a focus on the future. What does your heart tell you about where you want to go? Think inspiration and motivation. The best example was Microsoft's original mission statement. A computer on every desk and in every home. Your mission statement is to be a focus on the present. What does your head tell you about what you want to do and how you will do it? The best example of a mission statement is the Ritz-Carlton.

Ladies and gentlemen, serving ladies and gentlemen. First and foremost in your mind remember you are forming a corporation. A separate entity from yourself, not just different pockets in the same pair of pants but an entirely different. Pants. You will do charitable work but you must do it as a business. The IRS will look for indications of a hobby instead of a real business. As you write your business plan you must focus on how you will raise the funds needed to meet your vision and mission. Forming a nonprofit is not if I build it they will come, you have one .5 million competitors many of whom will be chasing the same donor dollars you are. Make yourself unique and how you explain your mission and vision. You will grow to know and probably hate something called UBIT. The unrelated business income tax. Yes, the 50 C3 what -- it does not pay income tax unless you are earning money from an enterprise. If you publish a magazine to support your cause and charge a subscription fee, that's no problem. However, any money you charge to advertise to promote to subscribers in your magazine is considered earned income and will trigger attacks from the IRS. If the earned income becomes significant in proportion to the nation's posture subdues and etc. the IRS may decide that you are a for profit venture after all and will strip away your nonprofit status. You don't want to go there.

Many nonprofits simply form a for-profit subsidiary to channel any peripheral income and accompanying expense so they don't trigger a problem with the IRS. Be careful and talk to your CPA if in doubt. We have a pick -- quick poll question for you. Do you have at least 10 years business experience? Please, if you have no other take away from this workshop, do not launch your nonprofit until you have a committed funding source or sources of at least $10,000. It is much easier to raise money before you launch than after. While we are on the subject, the answer is no there is not a government can't program to give you money to start a nonprofit. Nor will private foundations give you money until you can show at least two years of successful fundraising. In the beginning is when you reach out to family, friends, crowdfunding and maybe a local business who can be supportive.

As an example one of my clients wanted to start an abused dog no kill shelter. She went to the local pet smart and they agreed if she launched her nonprofit they would provide the dog food. It is not cash but it is a donation that will keep her from needing the cash to buy the food. Does anyone have an idea about what the secret sauce is to nonprofit success? If you think about it, the answer is passion. Without passion you cannot and will not whether it is a for-profit entity or a nonprofit.

Everyone wants to know the step-by-step process. You will need a bank account with at least $1000 and it. This covers your organizing. You will need a corporate name, but before you jump on a favorite name, do a Google search to see if that is used anywhere else. Check with your local Secretary of State's office to see if anyone else already has that saved and check to see if the web URL that you want to go is available. Do it before you settle on a name. There are two governing agencies that will control your nonprofit application and status. Your state and the IRS. You will incorporate in your own state, usually with the Secretary of State's office, as a regular corporation. This is often referred to as a C corporation. They will charge a registration fee, it depends on your state. No matter what you have heard elsewhere, you cannot be an LLC or partnership and apply to become a nonprofit. Based on a recent clients experience when she didn't believe me and applied for her nonprofit status as an LLC, she was summarily rejected. Gets complicated because the corporate name is already registered as an LLC and is no longer available to be used by another entity. She then had to change her name, web address, bank account, business cards and everything else connected. Save yourself the heartache and just create a regular C corporation.

Once you receive your corporate approval from your state, obtain a federal employer identification number or FEIN. Quick, easy and free. Go to the IRS webpage and search for FEIN. Then you will start working on the IRS form 1023. It is a long and ugly form. You will submit that form to the IRS. We will go into that in detail in a few minutes. Now you wait. It used to be one to two years but the IRS has gotten his act together and these are being processed in 6 to 8 weeks or sooner if done correctly. Longer if not. You will receive a letter in the mail with approval from the IRS that you are a bona fide 503(c)(a) nonprofit. Do yourself a favor and keep this form safe. You will be using it a lot as you apply for funding from various entities. I always convert them to a PDF and store them on my computer so I can send it in a moments notice. Some may require an original, so hang on to the form.

Now you do quick and easy things, obtain a DUNS number . It is free and it's an easy online application. Some states will require you to file with the equivalent of the department of consumer affairs in order to solicit donations in your state. Check with your Secretary of State's office to see if that is required and what agency handles it. It usually is a free registration. Remember if you go into a neighboring state to solicit donations you need to also file in that state. Internet solicitations do not count. Most states provide relief for 501(c)(3) from state sales tax. It can be a significant savings and includes everything you purchase including taxes on meeting rooms, bandwidth and other big expenditures. Even a vehicle to be used, like a delivery van. Check with your state department of revenue for an application. This is an important document and will always be requested whenever you want the sales tax eliminated on the purchase. If the organization owned personal property or real estate, many counties will provide relief and property taxes. Check with your county assessor's office.

Before you begin any of the applications, you must make the following decisions. All of which are required by either the state or the IRS. Who will be your incorporators. Likely it will be the founder into other unrelated persons. They will not be needed again until -- and have no official role other to -- than to be on record as part of the initial corporation. You must identify a registered agent. This is the go to representative for any state agency or interested party that wants to get in touch with the organization. You will be answering this question every year when the state ends you an update request. It is critically important that this person be actively involved in the organization and they must live in your state of incorporation. This is usually the founder or the CEO. You must find at least three persons who have agreed to serve as your Board of Directors. They cannot be related. Don't get your family involved in this in the beginning. These persons can change frequently as stipulated in your bylaws. So you are not locked into these three people forever. The founder and/or CEO should be one of the three board members.

You will need to draft your bylaws and we will talk about that later. You need to draft a code of ethics for all board members to sign. You need to project your income and expenses for the next three years. It is all hypothetical and no one will hold you to meeting the numbers. Always project more income than expected and that amount should increase over the years. The IRS wants to see that you will be a growing concern and not constantly living hand to mouth. Also it's okay to show salary for the CEO. You need to develop a hypothetical balance sheet on opening day. Again, nobody checks to make sure it is exact. It's what you think will happen on the day you get your approval. You need to have a URL for your website. The articles of corporation will be filed with your state. The wording of this document is extremely important so please don't just dash off something you find on the web. This is known as your governing document and will always guide you how you are able to manage organization and how you will raise funds. Articles of incorporation are difficult to change so make sure they are broad enough to cover every future growth possibility. This document always supersedes anything you put in your bylaws or actions by the Board of Directors.

Your bylaws can be easily changed, your articles , not so much. As you are putting together your articles and bylaws, keep in mind the separation of power. The Board of Directors sets the policy for the organization. Their primary duties are fiduciary responsibility and liability. They are responsible for making sure that any funds raised for the organization are used to further the mission and the vision as stated in the articles. The board members also oh a duty of care and of loyalty to the organization. Many startups want to keep their Board of Directors small so they have better control. Consider this, your board should be the nexus of your network. If you have three board members and the each have 10 close friends, that would contribute to your nonprofit, that is 30 context. If you have 10 board members and they each have 10 close friends that is 100 contacts. You need a wide network of people who believe in your mission and vision in order to keep a vibrant nonprofit organization. A course it doesn't hurt to have expertise and counsel. Some states provide an automatic [Indiscernible-muffled]. My advice is not to use that template because the IRS has their own requirement of what needs to be included in your articles and most of the time the two do not agree. What I have included are the exact words that the IRS likes to see. This sometimes requires printing out the online cover page for the state template and then mailing in the template cover page along with your Word document through the Postal Service. There are other sections in the articles and you will need to complete the answers to the questions in their preferred order. Somewhere you must include the verbiage on this slide and the next slide. I'm not going to read them to you because you can read them yourself but my advice for you is ignore the recommendation at your peril.

You will see that the purpose statement is for you to create a specific and primary purpose for formation. In other words, what societal issue do you intend to solve? What is your greater good? This is also something that many private foundation donors look at when they consider contributing to an organization. Be careful how you write this out. In many ways it is a marketing pitch. I can tell you for a fact that IRS looks at the articles very carefully. They will reject applications that do not include most of this wording. Especially dissolution. That provision must be included and must be worded as stated. They do not want you raising money for nonprofit organization and then closing it down and taking all the money you raised for yourself. Please pay attention to this. As stated earlier, your corporate bylaws are the rules you will follow as you manage organization. This is not to be confused with policy and procedure manuals which address job responsibilities and employee issues. Bylaws provide a framework by which you or anyone can run the organization. You can find lots of bylaws templates on the web but outlined here are some special considerations for nonprofit. When you write out the principle section at the beginning of your bylaws, remember these are often requested by donors, especially private foundations or major corporations. They want to see that you are organized to run as an efficient business entity. The governance policies on this slide -- it is important for you to consider.

There are a lot of ways to make sure your organization doesn't discriminate in any way against anyone. We have found that the words self-governing, nonprofit, nonpartisan and nonsectarian pretty much covers what you need and is also acceptable to the IRS. Adding a bunch of protected classes opens you up to why didn't you include this one? Keep it simple serve. Bylaws should not be books. 3 to 5 pages is plenty. The template I use is plenty. Less is more. The more you write about things you have to do, the less flexibility you will have. To many organizations the list of job descriptions and duties of the corporate officers in the bylaws, no matter what anyone tells you, this is absolutely not necessary. It can tie you down in the future as you grow your organization. Because your Board of Directors is one of the most critical elements of your nonprofit and can be the reason for success or failure, we are going to spend some time talking about the decisions you need to make about them as you write your bylaws.

First, board members must always be in odd numbers. That way it can never be a tie vote on any matter before the board. We recommend your bylaws say you will have no fewer than five and no more than 25 board members. That doesn't mean you have to appoint 25 board members, it gives you flexibility as your organization grows and you want a bigger network of donors to draw from. Board members have a basic responsibility to manage the finances of the organization. That is a legal requirement. There are also -- they are also responsible for hiring and firing the CEO. That may mean you, the organizations founder. CEOs and founders and anybody else often are fired by the Board of Directors. Remember first and foremost you are a corporation and the Board of Directors routinely fires the CEO when they are unhappy with their performance or simply because they don't like the way they parked their hair. Members of the Board of Directors are divided into those that are officers like the chairman are president, secretary and treasurer. And any other board members are called directors. Your bylaws should state what qualifications you want your board to have. It doesn't have to be specific but a generalized job description is especially helpful when you have a board applicant that you don't think is qualified to serve. You need to have those qualifications to fall back on.

Who is going to appoint your board members? Will they be elected or appointed and by who? How often will they meet. Monthly, quarterly. It must be at least annually. If you meet annually you should establish an executive committee that is empowered to act in lieu of the board between meetings. Otherwise you can be hamstrung needing a financial decision and waiting up to months or a year before a decision can be made. What titles do you want to use? Do you want to have a Board President? Or do you want to have a board chairman? Do you want to have a staff president, CEO, Executive Director? It is critical to know if the paid stack -- staff executive is called president or CEO or executive director. Please remember sometimes these nonprofits directors are shy and don't want to be president. They say they are happy with executive director. If I'm a major funder and coming to your organization I want to deal with the president, not an executive director.

That is not nearly as important as a position in my mind as a funder is talking to the president. You will need to decide how to remove a member of the board. Ethics violations, fraud, embezzlement. Do yourself a favor and make sure these are part of your bylaws. How will you feel vacancies? Will it be a presidential appointment or an election by the directors? What makes up a quorum? Maybe it is a huge board? Maybe it is a majority of those attending? What is the length of a board term and please make sure this goes in and consider term limits. It's the only way to get board members off the board. Here is something interesting. You cannot compensate a board member for their service on a nonprofit. You can reimbursed for expenses, but not salary or hourly payment. If that board member is also working as a staff member, they can be paid as a staff member. You should consider turning this around and asking your board members to give her get. They must donate a specific amount, thousand dollars a year, to qualify to be on the board. If they are not able to get the money themselves, they can get it from friends or business associates or even their employer who often provides matching gifts. You should put this requirement in your bylaws. It is something that is commonly done and nonprofit organizations.

If you have 25 board members and they are required to give you $1000 a year, you get $25,000 every year from your board. That is a and I -- nice nest egg. Are you planning to start your nonprofit in the next six months? We will talk next about nonprofit and committees. Everybody hates thinking about committees because it is like herding cats. How do I get them to do what needs to be done and this will be awful. What I would tell you is this is simply the way it is with all nonprofit organizations and it's a true test of leadership if you can lead a committee without being the committee chair or even on the committee. It helps if you have guidelines that you give to committee members that states their mission, deliverables and time schedules. Then make sure you mandate periodic update reports about their progress. It is not foolproof, but it does help.

Committee work is also an excellent way to test out volunteers to see if they might make a productive board member in the future. The standing committees you will need are listed. Standing means these are committed -- included in the bylaws and the rules are delineated. You may remember that I said the board's primary duty was fiduciary. You will notice that three of the four standing committees are financial in nature. The audit committee which is responsible for always -- overseeing an annual review of the financial records, the finance committee which is responsible for the day-to-day financial reporting, and then the fund development committee which is responsible for pursuing grants and donations to fund the organization. Other committees can be added as you deem necessary but I would caution you about adding them to your bylaws. Just include a general statement that the board can establish additional committees as they deem necessary. You will have to trust me that committees are an important part of your organization. It gets volunteers involved, it takes some of the responsibility -- some of the burden of this constant fundraising work off your shoulders and get other people involved. You never know, you might pick up somebody who works on a committee and it turns out to be a fabulous future board chair. Please do yourself a favor and get those committees activated.

Your bylaws are a guideline to how you will operate your business. Some of the items you will want to include our routine and they are noted on the listing in the slide. Bylaws can be altered frequently if you want to, but how that is accomplished is stipulated in your bylaws. Usually it is a majority vote from the Board of Directors you can make it a two thirds vote if you want. That makes it a lot harder to approve changes but your funders may find that preferable. Please remember to give yourself wiggle room in your bylaws. Whenever possible include this phrase or as otherwise determined from time to time by the Board of Directors.

Let's assume you have to state your fiscal year the bylaws and you say I'm going to go with [Indiscernible] because that sounds good to me. A few years down the road you find it cumbersome and you want to move the fiscal year to December 31. It is easy to do if you have that phrase in your bylaws. You have determined it is something you need to change and you don't need to go back and amend your bylaws. If you don't have that phrase in there, you have to go back and go through a bylaw change and it's not impossible but it is cumbersome.

Write your bylaws, be sure to include wiggle room wherever you can. There are a lot of areas you can include that phrase and you will come to love it. It will be your favorite phrase of all time. The captivating IRS form 1023, it looks very intimidating. Is 24 pages long and I think it is the? Point font. Even the instructions are five pages. Remember you will probably be completing the first 12 pages. The rest of the pages usually don't apply. Second, remember this is not a Dick -- difficult form, it just takes time. It is a government form. Just remember that. If you have developed all of the things we talked about earlier in this presentation, then this form is easy. The form includes a checklist at the end and you must include everything on that list when you submit to the IRS. Use it religiously and don't attempt to send in your application without making sure you have included everything on that list that is relevant to you and we will tell you that is the most common mistake that I see when they get their application rejected by the IRS. They failed to include something. And the government insists on having everything they want with the original application. Before you begin the process, look at the form which can be found on the web at IRS.gov and use the search function or form 1023. It is easy to find. You can Google form 1023, but you will be inundated with companies offering to do it for you. Save your money.

You don't need to hire someone to do it for you and you especially don't need an attorney. We have had to step in to help rescue a client that had used an attorney and their application was rejected. For pretty obvious reasons as far as we could tell. This is just not an attorney's area of expertise. You need to have an attorney for your corporate counsel but not to fill out the 1023 form. A couple of red flags to note. Many questions on the form ask you yes or no questions with the caveat that if you say yes you must state where on a document they can find the answer. You will need to point them to the location because they will not search through your attachments to find it. This is a common mistake that causes applications to be rejected. Be specific. If they are asking where in your documents they can find the dissolution slot -- clause, you say -- you put on the application in the bylaw section 5, section 4. They will go to that document and double check it. Make it easy for them. Please pay extra attention to part 10. It is very important and most applications get tripped up with their answers. Hopefully you will be able to answer no to section 1 a which allows you to skip section 5. This is another tricky question. You should choose either G or H. Then regardless of what the form says, do not complete section 6. This section has been deleted although the form has never been revised. On part 11, you will need to decide whether to apply for a very small nonprofit or you intend someday to become big. If you are a Boy Scout group or neighborhood group that will never raise more than $25,000 in a calendar year, then you are fine with the $400 fee. If you hope to become a bigger organization and launch serious fundraising efforts, my strong advice is to file the $850 fee. If you organize as a small nonprofit and you routinely raise $30,000, you will be flagged by the IRS and made to reapply. Then you will be out the $400 and the $850 plus the time. Just go with the bigger amount and be done. Listed on this slide are the answers to some tricky questions in form 1023. Many people make the mistake of assuming they are a foundation and start filling out that part of the form. Those rules are very complex and difficult to obtain and to comply with all the reporting rules.

Think of a foundation this way, it is usually a family created entity that contributes a majority of the family's wealth to fund donations to organizations. This takes an attorney to set up and a CPA to administer. Do not fall into the trap of considering yourself a foundation simply because you will be doing charitable work similar to a foundation. You are a 503(c)(3) or educational nonprofit that will raise money through a variety of sources and you will use that money to assist members of your community. You are not doing it so you can contribute some -- your substantial wealth and you receive a tax deduction for your contribution to your own nation. A couple of other things to consider with that -- when filling out this form, you cannot be a foreign controlled entity. If you have anything to do with child care or school, you have more detail and scrutiny to get approved. Or if you intend to give money only to other organizations, you will have more detail and scrutiny to get approved.

Once you mail in the completed 1023 form it will take 6 to 8 weeks for the IRS to respond hopefully it is with your approval letter, but if not it will be a rejection letter asking for more information or clarification. Once you resubmit, you go to the bottom of the pile and it will be another 6 to 8 weeks before you hear from them. Rest assured they will cash your check immediately. And it is not refundable. Here are some additional things you need to know. If you receive a rejection letter after you submit your 1023 form, don't despair. They will not reject you outright. They will simply say please clarify these issues and resubmit. You will have a second chance to rectify the application. They will not be quite as amicable if they have to rejected a second time so be careful to answer all of their questions remember all financial reports are public record and available to anyone on the web. This includes the salaries of the top five paid staff members. If you are serving as the president, everyone will see what your salary is.

You must keep impeccable records of all board meetings and actions taken. These are always open to public inspection upon request. Make sure they are always available. Even though you are tax exempt, you will still file annual tax returns. You will fall -- file form 990 or 990 easy. -- EZ. If you do not file, your nonprofit status is subject to termination. After three years your exempt status will be automatically terminated and it will be extremely difficult, if not impossible, to get it reinstated. And yes there will be penalties and fines included. You will also need to file an annual port -- report to your Secretary of State's office. If you don't file the corporate status will be revoked and it's expensive to get reinstated. You will then be required to notify all of your donors that the money they gave you is not tax deductible after all and they should refile their tax returns. Just don't go there. Make sure you file the annual renewal. It usually costs $100 to renew and usually a state will notify you by sending you a new form to fill out. Don't rely on that. Put a note in your calendar to follow up. The renewal forms are all available on the web and the usually are due by March of each year.

If you plan to solicit donations, say you want to hold a fundraiser in a nearby state, you will need to register with that state as a foreign corporation. I know you're not from another country, but in this particular case you are a foreign corporation. There is usually a fee associated with that registration. Internet solicitation across state lines does not apply to this since there is no way to know if someone's email is from California or Maine. Finally, if you are the chief staff executive serving as the president or Executive Director and will receive a salary, consider signing a contract with the organization. As we said earlier the board of directors is responsible for hiring and firing the cheap staff executive. If you get a room at -- rambunctious board in a fire you, having a contract that includes severance criteria and provision for specific payment can deter them from making a change.

It is not unusual for these contracts to require one your severance package which includes compensation and benefits including health care. This is something you will want to hire your own HR attorney to help you with. Do not use the organization's attorney to craft this document. That attorney's duty is to the organization. Do yourself a favor and look for other organizations for who you can form a strategic alliance. Most nonprofits do not compete with each other. There is plenty of funding to go around and forming alliances with others can help both of you grow. It is not impossible for you to consider doing a joint fundraising campaign or an event. Golf tournaments are a good weight -- great way to cooperate with others and there's a lot of people participating and a lot of work to do. Always sharing in the revenue, build friendships and alliances with everyone you can. We have another poll question for you. Do you have an initial funding strategy? We have talked about this. It is critically important before you launch to have at least $1000 ready to be spent on this organization. Do yourself a favor and make sure this is there.

Please remember no one is standing around waiting to give you money. There are a lot of nonprofits looking for money. When you approach a potential funder remember to look at it from their press active. Why should they give you money? What's in it for them? Everyone knows what's in it for you. The key is what can they get out of it. It can be intrinsic like recognition or a story told back to them about how they helped an individual. You cannot think a donor enough . If you are planning to get a government ground or foundation grant to help you start your nonprofit, I must deliver some bad news. There are no government agencies that I've ever heard of who will give you a grant to an organization that cannot show at least two years of successful fundraising and activity. Remember 60% of nonprofit organizations fail in the first year. Crowdfunding has been used by some people with some success. You won't raise hundreds of thousand dollars like a startup tech company but you can usually raise $1500 in small increments by making a pitch to people who care about your mission. Let's quickly talk about some common myths. Should I incorporate in Delaware or Nevada? No, incorporate in your state. I don't care what they say. It is easy in every phase and you are required to have a registered agent in the state you incorporate. If you incorporate in Nevada and you live in New York you will have to hire a registered agent in Nevada to represent you and you will need to pay a $100 registration fee. You will have to file in your own state as a foreign corporation, pay the fee, serve as a registered agent and pay the annual renewal fee. There is no reason to go through all of that.

You can have board members from outside your state. That's not a problem. However, you cannot pay your board members other than to reimburse them or ask tenses to travel -- for expenses to travel. Incorporators all can be fired and usually without cause. Just beware you cannot protect yourself from that. I have listed some resources on the next two slides. You will not be able to write this down but I want you to know these are areas I have found very helpful to us as whatever nonprofit I was running, I always used these resources. You will get the slide deck so you will have this information. Also the books I find important. These are sitting on my bookshelf and I refer to them very frequently. We had the last question, do you have an exit strategy? As you answer that, let me tell you to please have an exit strategy. You will burn out. Running a nonprofit and the never ending transfer money is never easy. You will be the chief fundraiser even though you want to get out there and do stuff that helps your mission. Like any entrepreneur, you will need to work on your business, not just in your business. Plan an exit strategy for yourself. On those dark days when every donor says not this year, remember there is a light out there and you just have to work a bit harder so you know you can get to that. Thank you so much for participating and I'm going to turn it back over to Alexa and Sameena .

Thank you so much, Penny. We are going to now start the Q&A portion of our call. I will be reading the chat questions that our participants have sent in. Please continue submitting your questions by using the chat function located on the left-hand side of your screen. And this time remaining we will address as many as we can. Please note if we don't have time to get your question, I encourage you to connect with a SCORE mentor after today's webinar. Mentors are available online or in a chapter near you to help you apply the strategies that have been presented today. Let's go ahead and jump into these questions. Our first question comes in from Harold. His public litigation organization is searching for a physical sponsor for sixty-day fundraising campaign. Is question is can you recommend consultants and a social campaign platform, for example Crowd rice.

I cannot recommend an individual person or company. There's a wonderful organization called the Association of Fundraising Professionals. It is all over the country and I would recommend you look them up. That's what they do. There are a lot of qualified people that belong to those organizations. That would be the resource I use no matter what city I'm in to be able to help find somebody to help us on the fundraising.

Our next question comes in from Patty. Is it possible to turn my family farm into a hands-on living farm and museum?

Great question. Yes, in fact, I have a client right now that is doing exactly that. He has a farm and he is turning it into a nonprofit to teach urban farming techniques to city slackers who don't know how to grow vegetables. As you know, the current trend is to home grow or locally grow fruits and vegetables. So that is what he is doing with his. Yes, absolutely. As long as -- you just have to prove it is for the greater good. If you can find a way to write your business plan and all the documentation that proves that, then you should be good to go.

The next question comes in from Don. States like Florida have special classifications when filing a nonprofit charter. Is that the case elsewhere?

You are talking about when you go to the Secretary of State's office and you see the nonprofit corporation status? I assume that's what you are talking about. I don't recommend that form in Florida. The primary purpose of that is if you are a little organization like a Boy Scout group or a garden club or something that is local. Unless that is your intent, I don't recommend using that form because the IRS doesn't accept it. I would love to have Florida do some kind of an explanation on their website about this is not for use if you want to be a bigger, nonprofit organization that solicits and does things outside of your local community. I know that is a roundabout statement but I advise you to incorporate as a regular C corporation and not worry about that.

Our next question comes in from Felicia. She is asking is at the same process if you want to start a nonprofit for your child? Can it be in your child's name if they are under the age of 18?

Anybody can start a nonprofit. It doesn't matter and in fact the national organization called Young entrepreneurs Academy, they had a national winner a year ago that was a 12-year-old that started a nonprofit. The nonprofit name was her own name. Absolutely. There's no restriction at all.

Or next question comes from Bill. Wouldn't it be better to develop a sustainable business plan before doing the administration steps that cost money? For example he corporation, 1023, etc.

Yes. You should have business plan before you get started because once you have the business plan it will have all of the documentation that you need to be able to quickly complete both your state application and the form 1023. Absolutely. If I didn't make that clear, I'm sorry. I should definitely has stated the first thing you do is build the business plan.

Our next question comes from Andrea. Can a nonprofit organization legally operate without being amongst those that have 501(c)(3) status?

I'm not sure I understand the question. The only way you can get money that's given to you to be tax-deductible is to go to the IRS with your 1023 application and have it approved as a 501(c)(3). You can operate a sole proprietorship without much registration, but in order to make any donation to you tax-deductible, it has to go to IRS. They control that piece of it. I hope that answers your question, Andrea.

The next question comes from Desiree. Please explain the difference between Board of Directors and advisory board.

That is pretty easy. A board of director has the fiduciary responsibility [Indiscernible-muffled] run the organization, be the policy advisers to the staff about where they want the organization to go. The board of advisors is an informal advisory group that sits off to the side. It can report to the board or to the president of the organization and it is definitely a very -- it's an advisory role. They don't have any formal say over anything. They cannot sign tax, they are just there to advise -- checks, they are just there to advise on a process. They work together.

I hope that answers it. Our next question comes from Kristi.

She says you stated that tax -- ads in a newsletter are taxable. What about a YouTube channel?

I'm not the IRS, so I will tell you to proceed with caution. The ruling so far has been paid advertising is a taxable event. Because it is not in pursuit of their mission. You are not accepting the advertisements to make your mission better or to do a better job of pursuing the mission. I know I can make the argument we need the money to be able to pursue our mission, it doesn't work like that. Another way that I've heard it described that might help is they call it the let -- Yellow Pages test. It what you are earning money from is an endeavor that can be done by any regular company that you can find in the Yellow Pages, then you are in jeopardy of triggering the unrelated business tax. It's a gray area. I would just say tread carefully because you could definitely get in trouble. Especially if it starts to become anything more than 15% of your total income. I think the IRS might come knocking. Sorry, I wish I had a better answer for you.

Michelle's question is, is there such a thing as nonprofit for-profits splitting the business?

Splitting the business? What you would need to have would be a subsidiary arrangement. Either the for profit owns the subsidiary nonprofit or the nonprofit owns the subsidiary for profit. Those are both legal and possible. You would want to have that symbiotic relationship. If you are talking about splitting with an unrelated entity, that might get a little tricky if you are raising money as a charitable contribution from your donors and some of that money is given to the other for profit company. That's not going to work. It depends on how you will split it, I guess. Tread carefully because that could be dangerous. If there is a way to make it as a subsidiary relationship, formally, I think that would be a better way to go.

Leslie asks I was told there is a form that is easier to complete and faster to process. Is this true?

Yes, but you have to be -- you have to understand you will never be able to reads -- raise $25,000 in the year. That is the $400 application P. It is for very small organizations that never intend to grow and don't want to go outside of their state. I usually don't recommend using that because if at some point you raise $30,000 then you will have to go back and reapply as a regular 501(c)(3) at the $850 level so then you are out the $400. Use the easy form at your peril. Sorry, I wish it was a better answer. >>I think we have time for just one more question. What kind of liability insurance should you get?

That's not an easy question. Certainly you need to have workers compensation insurance and directors and officers insurance. That is not expensive. People shy away from getting it but it's not expensive. Any insurance broker will be able to provide that so you just make a phone call and get that coverage. It's really inexpensive and you must have it because it protects your directors in case of a lawsuit. Liability protection, otherwise it would be your normal slip and fall if you have an office. Primary insurance you need is your directors and officers insurance.

Thank you, everyone for participating. I was delighted to do this for all of you and good luck as you form your nonprofit.

Thank you so much, Penny , as well. Those are all the questions we have time for today. Ladies and gentlemen, on behalf of SCORE I would like to thank you all for attending today's SCORE Live webinar. A brief celebrate -- survey will launch and we would appreciate you taking a couple minutes to complete the survey and tell you -- your thoughts. A big thank you to Penny Pompei for product -- for presenting today. We hope you have a wonderful day and look forward to seeing you next time. Thanks, everyone. [Event Concluded]