



Center
FOR NON-PROFITS
Helping organizations build a better New Jersey

**DO'S AND DON'TS
FOR NON-PROFITS**

Non-Profit Start-up & Compliance Overview



New Jersey State Library
Trenton NJ
October 6, 2020

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Helping organizations build a better New Jersey

SERVING NEW JERSEY CHARITIES

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Photo by:
Dondada Innovations

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About the Center for Non-Profits

OUR MISSION:

To build the power of New Jersey's non-profit community to improve the quality of life for the people of our state.



Proud Member of the
National Council of
Nonprofits
National Voice • State Focus • Local Impact



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About the Center for Non-Profits

- Since 1982, the Center has been providing leadership and services.
- Remains New Jersey's only umbrella organization for all charities in the state.





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About the Center for Non-Profits

Advocacy/Public Education

- Promoting New Jersey's non-profit community
- Public policy
- Non-profit sector research (statistics, trends)

Capacity Building

- Legal/management assistance
- Workshops/seminars
- Publications

Member Services

- 500 members
- Discounts, cost-saving programs (D&O, volunteer insurance, unemployment), free job postings, payroll service and more!



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NATIONAL COUNCIL OF NONPROFITS
National voice. State focus. Local impact.

- 25,000+ nonprofit members
- 42 State Associations & Nonprofit Allies
- 300+ Employees
- 500+ Board members




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Disclaimer

“The information provided in this presentation is for informational purposes only and does not constitute legal advice.

For answers to specific questions concerning your situation, you should consult a knowledgeable attorney who can advise you regarding your particular circumstances.”

**ENTER
HERE**



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What we'll cover today:

- What is a Non-Profit?
- Governance
- Board Responsibilities
- Resource Development
- Overview of NJ non-profit community
- Questions



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What IS a “Non-Profit”?

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First -
A few questions

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Non-Profit Sector Size/Scope

What is the **median operating budget** of a 501(c)(3) non-profit in NJ?

Under \$25,000?

\$ 50,000?

\$100,000?

\$500,000?



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Non-Profit Sector Size/Scope

NJ 501(c)(3) operating budget data:

Under \$25,000	Over 55%
\$25 - \$100,000	17%
\$100,000 - \$1 Mill	17%
Over \$ 1 Mill	8%



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What is a Non-Profit?

"Non-profit"

- State-level designation for incorporated entity



"Tax-exempt"

- Exempt from federal income taxes
- Many different categories (trade associations, fraternities, condo groups, social clubs, etc.)

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What is a Non-Profit?

U.S. Internal Revenue Code 501(c)(1) thru 501(c)(27) & more

501(c)(3) - Charities

- Charitable
- Religious
- Educational
- Scientific
- Literary
- Prevention of cruelty to children or animals

501(c)(4) - Civic leagues/social welfare organizations

- Community improvement ass'ns
- Homeowners' and Tenants' Associations
- Veterans' organizations

501(c)(6) - Trade & professional associations

- Chambers of Commerce
- Real Estate Board
- Hospital Associations

501(c)(7) - Social & Recreational Clubs

- Country clubs
- Hunting & fishing clubs

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Governance

What are charities - 501(c)(3) - permitted to do?

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Governance

Are charities permitted to:



Charge fees?

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Governance

Are charities permitted to:

Carry a surplus from year to year?



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Governance

Are charities permitted to:

Have paid staff?



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Governance

Are charities permitted to:
Lobby for legislation?



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Governance

Do non-profits need an
annual audit?

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NON-PROFITS



A Public Trust

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Common Reporting Requirements

State of NJ – Annual Corporate Report

- Department of Treasury, Division of Revenue (online filing) - \$25 annual fee

NJ Charitable Registration and Investigation

- Organizations that raise \geq \$10,000/year must register with NJ Division of Consumer Affairs
- Annual registration and reporting, sliding scale fee (\$30 to \$250 based on \$\$ raised)
- Voluntary registration for groups $<$ \$10,000



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Common Reporting Requirements

IRS – Annual Report

- Form 990-N (E-postcard) – If gross annual revenues $<$ \$25,000
- Form 990 or Form 990-EZ - If gross annual revenues $>$ \$25,000
- Form 990 is public document:
 - Must be available for public inspection
 - Send copies upon request



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Common Reporting Requirements

IRS – Annual Report

- Form 990-N (E-postcard) – If gross annual revenues <\$25,000
- Form 990 or Form 990-EZ - If gross annual revenues >\$25,000
- Form 990 is public document:
 - Must be available for public inspection
 - Send copies upon request



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Common Reporting Requirements

What happens if an organization does NOT file reports?

- NJ - after 2 years
- IRS – after 3 years

Penalty fees for late filings
LOSE YOUR TAX EXEMPT STATUS!!



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Other rules

IRS – Gift substantiation/disclosure

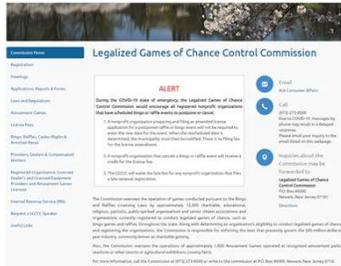
- Donors must have written record of all charitable gifts to claim tax deduction (bank record or receipt from charity)
- Gifts over \$250: Written, contemporaneous acknowledgment from the donee organization, including
 - Amount of cash and a description of any property other than cash contributed
 - Statement whether the organization provided any goods or services in consideration for the contribution
 - Description and good faith estimate of the value of any goods or services provided in consideration for the contribution



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Raffles, Bingo, Games of Chance




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Other rules

IRS – Gift substantiation/disclosure

- **When charity provides a good or service in exchange for donation over \$75**, you must provide a written disclosure to the donor
 - Setting out the fair market value of the goods and services received and
 - Only the portion of the contribution that exceeds this fair market value is tax deductible.
- **Low Cost Articles:** fully deductible & need not be disclosed by the charity
 - 2% of the donor's payment or \$105.00, whichever is less
 - Or \$52.50+ with items received COST < \$10.50 (not firm)



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Other rules

Lobbying/Election Activities

- Non-profits CAN lobby
- Lobbying activities and/or expenses must be tracked/reported (IRS and NJ)
- 501(c)(3) MAY NOT promote/oppose candidates for public office
- Partisan activity prohibited
- *Non-partisan* voter registration, education OK (approach with care)



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Questions?



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Board Responsibilities

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Where does the buck stop in a non-profit organization?

- Executive/CEO?
- Board Chair?
- Staff?
- Board?



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Who owns a non-profit?

NO ONE!



The **board of trustees** is entrusted with stewardship of this trust and is **responsible and accountable** for all aspects of the operation of the organization.



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Statutory Regulation

IRS

501(c)(3) Exempt Purposes

- Charitable
- Religious
- Educational
- Scientific
- Literary
- Testing for public safety
- Fostering nat'l amateur sports competition
- Preventing cruelty to children or animals.



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Statutory Regulation

IRS

501(c)(3) Exempt Purposes

- No earnings may inure to any private shareholder or individual
- Surplus & assets must be used only for advancing the mission
- Influence legislation may not be a *“substantial part”* of activities
- Campaign activity for or against political candidates/parties is *strictly prohibited*



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Statutory Regulation
IRS

Major way 501(c)(3) *charitable* organizations differ from other exempt organizations?

Donations are **tax deductible** by the donor!!



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Statutory Regulation
NJ

NJ Statute:
Title 15-A

Minimum of 3 trustees; must be 18 or older; terms 1- 6 years
Must have a "registered agent" in NJ
Articles of Incorporation & Bylaws are the governing laws
May be a member or a non-member organization



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Statutory Regulation
NJ

NJ Statute:
Title 15-A

President, Secretary & Treasurer required
Elections at least every 2 years
All legal actions are taken by the board as a whole; not individual trustees
Must file annual report(s)

Note:
Private Foundations have different restrictions & exemptions
Houses of worship may incorporate under Title 15-A or Title 16 (fewer restrictions)



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All Trustees should know
IRS & NJ

IRS requirements
<http://www.irs.gov/Charities-&Non-Profits>
... and NJ Statutes
... and reporting requirements
<http://www.njnonprofits.org/FilingReporting.html>

ARTICLES OF INCORPORATION
BYLAWS



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All Trustees should know
IRS & NJ

MISSION

Mission

MISSION



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Questions?



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How do charities get funds?

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Resource Development

Sources of Revenue

- ✓ Individual gifts
- ✓ Congregations, clubs, lodges
- ✓ Corporations & businesses
- ✓ Foundations & grant making charities
- ✓ Government grants or contracts

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Resource Development

Sources of Revenue

- ✓ Fee for service income
- ✓ Other business income
- ✓ Investment income
- ✓ Special events

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Resource Development

Sources of Revenue

Government Grants/Contracts 32.5%

Bequests 1.5%

Foundations 3.0%

Individual Giving 7.8%

Investments 4.8%

Other 1.9%

Fees for Service 47.5%

Data Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2015 (2013 data); Giving USA 2014 (2013 data); Foundation Center report (2013). Excludes non-reportable revenue and giving to religious institutions. Copyright 2015 National Council of Nonprofits. All rights reserved.

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Resource Development

Just as Important...

- ✓ Human Resources
 - ✓ Staff
 - ✓ Volunteers
- ✓ In-Kind Contribution
- ✓ Shared services
- ✓ Collaboration

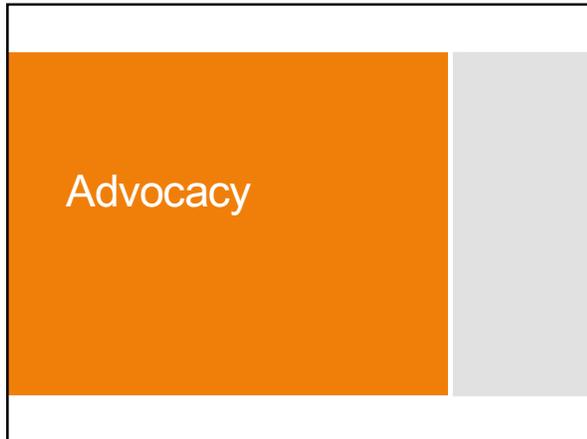
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Raffles, Bingo, Games of Chance

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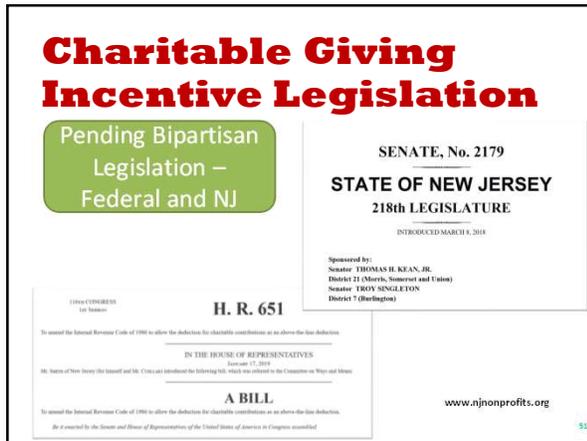
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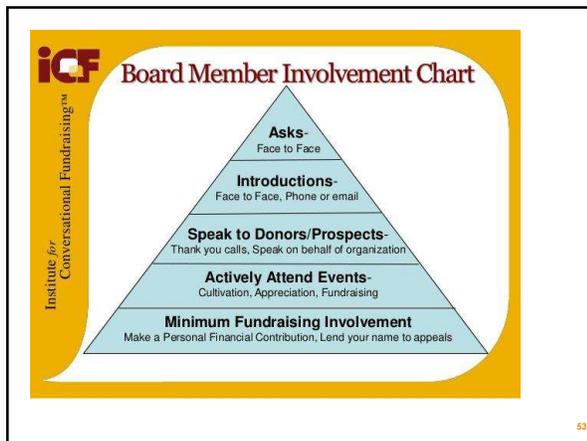
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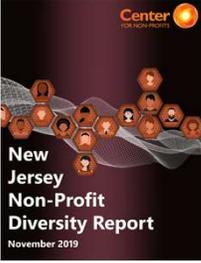


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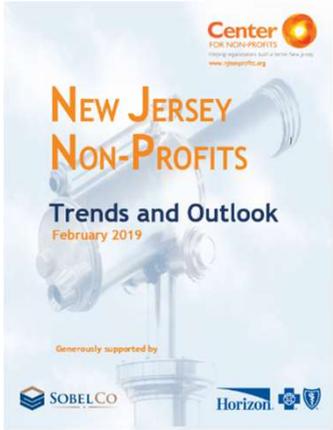
Center Publications available at
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FREE
NJ Non-Profit
Diversity Report

<https://njnonprofits.org/2019NJNP DiversityEquityReport.pdf>

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NEW JERSEY
NON-PROFITS
Trends and Outlook
February 2019

ANNUAL SURVEY

Generously supported by

SOBELCO **Horizon**

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Going Forward
Best Practices
and Considerations
for Non-Profit Reopening

June 10, 2020

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COVID-19 RESOURCES



NEW JERSEY
COVID-19 Information Hub

<https://covid19.nj.gov/>

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COVID-19 RESOURCE PAGE

njnonprofits.org/COVID-19.html

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WHY DOES THIS
MATTER?



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NEEDS a strong
non-profit
community

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Non-Profits are

Problem Solvers



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Do Non-Profits REALLY make a difference?



https://youtu.be/MJ_tlimMUB

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Economic Importance



- 34,000 501(c)(3) orgs in NJ
- 321,000 employees
 - 9.8% of the state's private work force
 - More than construction, transportation, public utilities, finance and insurance industries
- \$42 billion in expenditures annually
- 1.6 million volunteers providing \$5.3 billion in service

Sources:
IRS Business Master File of Exempt Organizations; Urban Institute National Center for Charitable Statistics; U.S. Bureau of Labor Statistics; Corporation for National and Community Service; Independent Sector

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Non-Profit Sector Size/Scope



- # of NJ 501(c)(3)s grew by 64% from 1999-2009
- Even **after** IRS auto-revocation, net increase of 30% in number of public charities from 2003-2013.

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What can we do?



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STAND FOR YOUR MISSION

SPEAK OUT



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Improve Understanding About Non-Profits

Tell the Story

Stand from a position of **STRENGTH**

Understanding New Jersey's Non-Profit Community: Role, Impact, Myths & Facts
November 19, 2014

How your life can be BETTER because of a NONPROFIT?

New Jersey Non-Profits Trends and Outlook

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Resource Squeeze

THE OVERHEAD MYTH

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Fund the real costs of non-profit work

THE OVERHEAD MYTH

Help End the Overhead Myth

Real Talk about Real Costs Donors Forum

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#OwnYourOwnCosts

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Improve the Fundraising / Operating Climate for Non-Profits

What can we do?

- Streamline laws/regulations
- Strengthen charitable giving incentives

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Strengthen Government/ Non-Profit Partnerships

Strengthen Gov't/ Non-Profit Partnerships

- Reduce bureaucracy
- Contract Reform
- Increase dialogue with government officials
- Joint problem-solving

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Questions?



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What can we do?

- Stay informed/educated
- Invest in advocacy
- Diversify revenue streams
- Look for program efficiencies
- Collaborate
- KNOW YOUR DONORS/FUNDERS!
- CHANGE THE DIALOG
- Support "real cost" funding
- Invest in capacity building, leadership development
- Keep communications flowing

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Stand Together



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VOTE!!

Nonprofit

and I vote



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Stay in touch!

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- Join our E-MAIL LIST
- @njnonprofits
- @NJ_Nonprofits
- company/center-for-nonprofits
- @njnonprofits

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What's next?

Know Your Center
October 8, 10:00 pm - 10:30 pm Free

New Jersey State Library
Creating Your Non-Profit's Social Media Plan
October 15, 12:00 pm - 1:00 pm

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Free Recorded Webinar

Non-Profit Energy Efficiency Assistance
PSE&G Energy Saver Program

View this free web briefing and Q&A session about this assistance program.

A new round of funding for this program is anticipated. Learn more and apply to get on the waiting list.



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Save the Date!

2020 Annual Statewide Non-Profit Conference

MARK YOUR CALENDAR!

Weds. & Thurs, December 2 -3, 2020

Speakers, workshops, exhibits, networking,

Who should attend?
Nonprofit staff & volunteers,
board members, funders,
Government officials,
Consultants & service providers
....and you!



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THANK YOU!

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Front and Center
Research, tools and insight from the Center for Non-Profit Growth



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Your State Non-Profit Association

People turn to non-profits every day.

New Jersey non-profits turn to ...



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