

Hosted by **SCORE**  | Bucks County

# How to Start a Nonprofit in Pennsylvania

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# Your Presenters

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# About SCORE

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As a resource partner of the SBA, we help small businesses by:



Providing free  
business advice  
and mentoring



Offering low or  
no-cost business  
training



Sharing free business  
templates and  
resources

Request a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)

# Agenda

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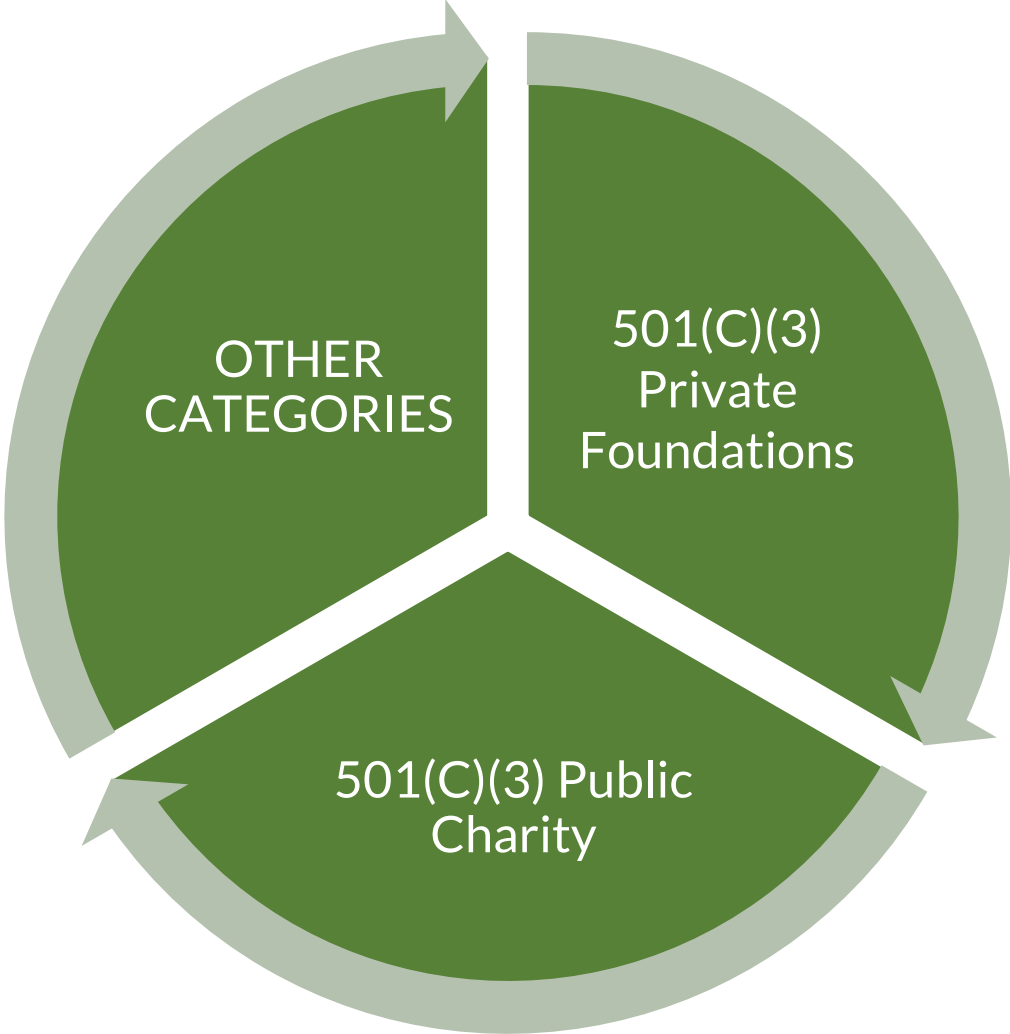
- Is a Nonprofit right for you?
- Creating the Business
- Legal/Administration Steps for Pennsylvania nonprofits
- Governance
- Begin Operations
- Initial Fundraising Plans
- Annual Reporting Federal and state
- Questions

# Is a Nonprofit right for you?

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- Nonprofits are organizations that are not required to pay income tax on revenues related to their purpose.
- Usually incorporated by the state
- Governed by Board of Directors
- Recognized by IRS and subject to its rules
- Must file Annual Reports with the IRS that are available to the public

# Many types of Nonprofits

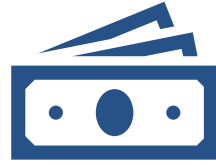


# Public Charities 501(c)(3)

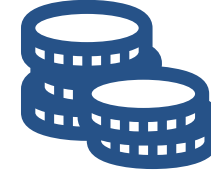
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Serve a charitable, religious, educational, scientific, literary purpose



Contributions exempt from donor's income taxes



Receive funds from many sources



May obtain income from activities that further charity's exempt purpose

# Other Concerns

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Cannot be operated for the benefit of private interests such as the Founder, Officers, Board Members and Members



If organization is dissolved remaining assets must go to another 501(c)(3)



Must pay income taxes on Unrelated Business income



Must pay payroll taxes for employees

# Effect of Size

	SMALL	MEDIUM	LARGE
GROSS RECEIPTS	NORMALLY LESS THAN \$50,000	\$50,000 TO \$200,000	OVER \$200,000
TOTAL ASSETS	LESS THAN \$250,000	LESS THAN \$500,000	OVER \$500,000
ANNUAL REPORT FORM	990-N	990-EZ	990
FILING with IRS	ONLINE e-Postcard	ONLINE- 4 Pages + Schedule A	ONLINE-12 Pages + Schedules
ROLE OF BOARD	Workers	Manage Staff	Policy making
	Fundraising	Fundraising	Fundraising
	Governance	Governance	Governance

# Question

- What's the difference between a **NONPROFIT** and a **NOT-FOR-PROFIT**?
  - It depends on who you are talking with:
    - For some **NOTHING**—It's the same thing
    - **NONPROFITS** that are not 501(c)(3)
    - Groups that are not formally organized that work for a common good



# Creating the Business

Remember a  
Nonprofit is  
your tax status  
not your  
Business Plan.

- Business Plan
  - Just like any other business the new Nonprofit needs an initial plan to test viability
    - Problem Statement ( problem you intend to solve )
    - Community Need
      - Local ? National? Both?
    - Community Support
      - Will they support it with action and money?
    - Competition
      - Local ? National ? Both?
    - Operational Plan
      - How will it operate on a daily basis
    - Financial Plan
      - Revenue based on projected fundraisings
      - Expenses based on cost to operate
    - Board members & Volunteers
      - Recruitment of both

# Legal/Administration Steps

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Obtain Employer Identification Number (EIN) from IRS



Incorporate with Pennsylvania Secretary of State



File 1023/1023EZ with the IRS to obtain a Determination Letter



If you project less than \$50,000 gross receipts per year for first 3 years you can file a 1023EZ.



All can/must be done online



We can coach you through the EIN, PA incorporation and 1020EZ filings with screenshare











# EIN (Employer Identification Number)

 IRS Tax ID/EIN Application (2024) [Questions? Click here to email an EIN Expert](#)  
We are available Monday through Friday from 7AM - 10PM EST.

## Online Application for Official EIN/Tax ID

Receive Your Official EIN Today

EIN Assistant: Select Your Entity Type Below

 <b>Sole Proprietor</b> SELECT IF YOU HAVE NO EMPLOYEES AND HAVE NOT FILED INCORPORATION DOCUMENTATION WITH YOUR STATE	 <b>Limited Liability Company (LLC)</b> SELECT IF YOU HAVE ALREADY SETUP A LEGAL LLC ENTITY
 <b>Partnerships</b> SELECT IF YOU ARE ORGANIZED AS A GENERAL PARTNERSHIP - LIMITED PARTNERSHIP (LP) - LIMITED LIABILITY PARTNERSHIP (LLP) - LIMITED LIABILITY LIMITED PARTNERSHIP (LLLP)	 <b>Corporations</b> SELECT IF YOU HAVE ALREADY SETUP A LEGAL C-CORP ENTITY
 <b>S-Corporations</b> SELECT IF YOU HAVE ALREADY SETUP A LEGAL S-CORP ENTITY	 <b>Trusts</b> A TRUST IS A LEGAL ENTITY IN WHICH ONE PARTY HOLDS ASSETS FOR THE BENEFIT OF ANOTHER
 <b>Estate</b> SELECT IF YOUR LEGAL ENTITY WAS CREATED AS A RESULT OF A PERSON'S DEATH	 <b>Personal Service Corporation</b> SELECT IF YOU HAVE ALREADY SETUP A PERSONAL SERVICE CORPORATION (PSC) ENTITY
 <b>Non-Profit Organization</b> SELECT IF YOUR ORGANIZATION QUALIFIES FOR TAX-EXEMPT STATUS	 <b>Church Organization</b> SELECT IF YOUR ORGANIZATION IS PART OF AN ORGANIZED RELIGION, AND IS FORMALLY ORGANIZED AS A DISTINCT LEGAL ENTITY



**Needed for both State and 1023 filings**

**Obtain online from IRS site at no cost**

Need exact name you will be using

Receive number instantaneously

Just because you have a nonprofit tax ID number does not mean you are tax exempt

# Pennsylvania Incorporation

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- File as a Nonprofit Corporation with PA Bureau of Corporations & Charitable Organizations
- Can be done online or with paper filing
  - Online requires Keystone login
  - Filing Fee - \$125
  - Need to add IRS clauses to basic state form
  - May take a week or two to get approval
- Alternatives:
  - Online services advertise for \$350 to \$500
  - Attorney – much higher but personal preparation
- Need to register as a Charity with PA Dept. Bureau of Corporations & Charitable Organizations within 30 days of receiving more than \$25,000 in gross contributions

# 1023EZ/1023

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- Need to use worksheet (in 1023EZ instructions) to see if you qualify for 1023EZ.
- 1023EZ costs \$275 to file; approval takes a couple of months
- 1023 costs \$600 to file; approval takes longer
- 1023EZ requires description of mission/activities (250-character limit)
- 1023 requires much more information; e.g., bylaws
- Tax exempt determination letter mailed; eventually posted on IRS website
- Very important document, many will ask for a copy such as: foundations, contributors, etc.

# Governance

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- Board Considerations

- Board Makeup

- Business Leaders, not Friends
- Independent viewpoints
- Committed to the mission, not padding their resume
- Contributions:
  - 100% giving by the board. Many funders require it
  - Give or Get
- Give Board Responsibility Sheet to prospective Board Members
  - Makes them aware of what is expected, sign and date.
  - Minimum attendance, giving parameters, committee participation etc.
- More than just a monthly meeting
  - First responsibility of the Board is FUNDRAISING!
  - Committees: fundraising audit, public relations, etc.

- Board Demographics

- Need at least three directors who are of legal age—do not need to live in Pennsylvania
- President- Effective Leader to keep meetings focused
- Secretary – Detail person who can keep in depth minutes
- Treasurer – Financial background, Accountant
- Member – Attorney, for legal guidance
- Member(s)- Marketing/ Sales types for fundraising & PR
- Same individual can hold multiple offices

# Begin Operations



## Open Bank account

- Need controls with separation of duties that reflect how banking is actually done
- Check signers do not reconcile the bank account
- Two signatures over specific dollar amount

## Office Space if necessary

## Recruit Volunteers

- Just like Board, need committed volunteers
- Volunteer responsibility sheet

## Circulate Elevator Speech to all parties

- Consistent message coming from the organization

## Decide on Financial Recordkeeping

- In house or outsourced; spreadsheet or accounting software
- Must be done routinely

## Begin Operating

## Always document results of the programs

- To prove the programs are doing what you intended
- Show the community and funders results (outcomes)

# Initial Fundraising Plans



Foundations etc. usually do not fund startup Nonprofits

They want a track record on outcomes before grants approved



How much does your Financial Plan say you need Year One?



Board members solicit their business connections

Personal meetings, letters, host a house party etc.



Volunteers solicit their friends and associates

Calls, letters, e mails, etc. Matching gifts  
Peer to peer Fundraising ( crowdfunding)



Kickoff event?

Keep cost low, looking for exposure. Local media attention



Goal is to not just raise funds but raise exposure in the community and build relationships

# Annual Reporting

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**File new PA annual report due by June 30—no charge**

File online at <https://file.dos.pa.gov/>



**File with PA charities—charge based on contributions**



**File 990N, 990EZ or 990 with IRS—no charge**

Use 990N (Postcard) if under \$50,000 gross revenue-very simple

Other forms require much more information—financial, programmatic, individual compensation

# As You Grow

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- Additional government requirements depend on how you operate
- When you pay staff Federal and State payroll taxes and HR rules apply
- State sales tax exemptions and collection responsibilities depend on how nonprofit operates; also, exemption from property taxes
- No statewide business license required for nonprofits but need to be aware of state and local requirements for specific activities
- Maintain relationships with legal and tax professionals who can keep you up-to-date on evolving laws and regulations
- We offer webinars on running nonprofits and bookkeeping for them

# Questions?

# Helpful Links

- Find SCORE resources for small businesses at [www.score.org/templates-resources](https://www.score.org/templates-resources)
- Find more SCORE live and recorded workshops and courses at [www.score.org/get-business-training](https://www.score.org/get-business-training)
- Book an appointment with a SCORE mentor at [www.score.org/find-mentor](https://www.score.org/find-mentor)



# THANK YOU FOR YOUR PARTICIPATION



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