



THE CENTER FOR CREATIVE RESOURCES

Nonprofit Pros & Cons

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If you are considering establishing your organization as a non-profit, 501(c) 3, there are several things to consider before you begin. Incorporating as a non-profit organization requires a well thought out rationale for undertaking the process of incorporation including a clear mission statement – (what your organization will do.)

For arts organizations, gaining tax exempt status is important for fundraising purposes, but this is not the only reason to consider establishing as a not-for-profit.

Here are some things to consider:

- The non-profit incorporation process will take a minimum of 6-8 months to complete
- It will cost between \$700 - \$2,700 depending on attorney's fees – the filing costs are approximately \$600

You will need:

- Organizational by-laws
- A board of directors (three members minimum)
- A projected budget
- A Mission Statement
- An organizational overview document including current programs and services
- Biographical information of key personnel

General

- Its advisable to utilize the services of an attorney and an accountant - an option is to use Volunteer Lawyers for the Arts – you can find them in your local area by searching www.vla.org.
- In some (if not most) states you are required to file as a state recognized non-profit

- Due to the board structure of the corporation, control and governance rests with the board of directors as does the fiduciary responsibility and general oversight
- Non-profit status does relieve the organization from filing annual tax returns or from paying payroll taxes for employees of the corporation
- You will need to keep accurate documentation of your programs and services for a review by the Internal Revenue Service after the first five years of operation – board meeting minutes, budgets, and audited financial statements are also required
- Once non-profit status is granted, your fundraising efforts can indicate the portion of contributions that are tax deductible – usually minus the cost of goods and services received, if any
- You will need to track your donors and acknowledge receipt of the donation via correspondence