Nonprofit Management: Practices for your dance community

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Nancy Turner, Catherine Burns, A. Rima Dael
Agenda

• Introductions
• Is your group a registered charity/ non-profit? Is your group incorporated?
• Organizational Responsibilities & Governance Considerations
• Q & A
Your take-aways today!

• Pros & Cons of Charitable or Nonprofit status
• Pros & Cons of Incorporation
• Organizational housekeeping considerations.

• Are there any burning questions?
What is a Charity or Nonprofit?

• An organization formed for the purpose of serving a purpose of public or mutual benefit other than the pursuit or accumulation of profits.

• No one person or persons own a charitable nonprofit organization.

• In the U.S. and Canada incorporation as an organization is at the state or provincial level and charitable status is at the Federal level.
# Cross Border Terminology

<table>
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<tr>
<th>CANADA</th>
<th>USA</th>
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| **Charitable status:**  
• is obtained at the federal or state level  
• allows for tax deductions  
• has heavier paperwork requirements | **Charity** and **Non-profit** are used interchangeably |
| **Non-profit:**  
• status is less paperwork intensive | **Non-profit 501 (c) 3 Organization:**  
• is a status obtained from the IRS  
• status allows for tax deductions  
• has paperwork requirements |
Differences nonprofit vs. charity (Canada)

Examples of the Four Categories of Registered Charities
• Relief of poverty (food banks, soup kitchens, low-cost housing units)
• Advancement of education (colleges, universities, research institutes)
• Advancement of religion (places of worship, missionary organizations)
• Purposes beneficial to the community (animal shelters, libraries, volunteer fire departments)

Arts groups can fall under Education or Community Organizations!

Differences nonprofit vs. charity (Canada)

Examples of non-profit organizations
• social, recreational or hobby groups (bridge clubs, curling clubs, golf clubs)
• certain amateur sports organizations (hockey associations, baseball leagues, soccer leagues)
• certain festival organizations (parades, seasonal celebrations)

If an organization meets the definition of a 'charity', it cannot be considered a non-profit organization under the Income Tax Act, even if the organization is not registered or cannot be registered as a charity. An organization may meet one definition or the other, but not both.

Nonprofit Organizations (U.S.)

• Incorporate in a State.
• Apply for federal charitable 501 c 3 status.
• CDSS can grant 501 c 3 status for US members under its group exemption. [http://www.cdss.org/nonprofit-tax-exemption.html](http://www.cdss.org/nonprofit-tax-exemption.html)

• Group Exemption:
The IRS sometimes recognizes a group of organizations as tax-exempt if they are affiliated with a central organization. This avoids the need for each of the organizations to apply for exemption individually. A group exemption letter has the same effect as an individual exemption letter except that it applies to more than one organization.
Why become a charity or nonprofit?

PROS:

• **Tax exemption/deduction**: In the USA, organizations that qualify as public charities under Internal Revenue Code 501(c)(3) are eligible for federal exemption from payment of corporate income tax. Once exempt from this tax, the nonprofit will usually be exempt from similar state and local taxes. If an organization has obtained 501(c)(3) tax exempt status, an individual's or company’s charitable contributions to this entity are tax-deductible.

• **Eligibility for public and private grants**: Nonprofit organizations are allowed to solicit charitable donations from the public. Many foundations and government agencies limit their grants to public charities.

Why become a charity or nonprofit?

CONS:

- **Cost**: Creating a nonprofit organization takes time, effort, and money. Because a nonprofit organization is a legal entity under federal, state, and local laws, the use of an attorney, accountant, or other professional may well prove necessary. Aside from legal or other consultant fees, applying for Federal tax exemption can cost $200-$850 or more, in addition to state fees for incorporation.

- **Paperwork**: As an exempt corporation, a nonprofit must keep detailed records and submit annual filings to the state and IRS by stated deadlines in order to keep its active and exempt status.

- **Shared control**: Although the people who create nonprofits like to shape and control their creations, personal control is limited. A nonprofit organization is subject to laws and regulations, including its own articles of incorporation and bylaws. In some states, a nonprofit is required to have several directors, who in turn are the only people allowed to elect or appoint the officers who determine policy.

- **Scrutiny by the public**: A nonprofit is dedicated to the public interest; therefore, its finances are open to public inspection. The public may obtain copies of a nonprofit organization’s state and Federal filings to learn about salaries and other expenditures.

Why should we care about the charitable / nonprofit sector?

• Different way to describe who we are and what we do to others who may be interested in us.
• We are part of arts and culture and non-profit culture. Let’s make our voices heard.
• Economic development through the arts.
• Education through the arts.
• Strong Board Governance and Volunteer Management is important, well researched, strong body of support for this.
Why incorporate?

PROS:

• **Formal structure:** An incorporated organization exists as a legal entity in its own right and separately from its founder(s). Incorporation puts the organization’s mission and structure above the personal interests of individuals associated with it.

• **Limited liability:** Under the law, creditors and courts are limited to the assets of the organization. The founders, directors, members, and employees are not personally liable for the organization’s debts. There are exceptions. A person cannot use the corporation to shield illegal or irresponsible acts on his/her part. Also, directors have a fiduciary responsibility; if they do not perform their jobs in the nonprofit's best interests, and the nonprofit is harmed, they can be held liable.

Why incorporate?

CONS:

• If already established, must “start over” which can be a time consuming and paperwork intensive process. Incorporating is the first step taken when establishing an organization.

• Canada is standardizing the incorporation process.

What does this really mean?!

What would happen if a group is not incorporated and someone sues you? What is your group responsible for?

Here are some scenarios that groups have to face.
- Someone gets injured on the dance floor.
- A volunteer for your dance gets hurt doing volunteer work for you while posting flyers in town.
- A child attending your dance with their parent gets hurt playing outside the hall while parent is dancing inside the hall.
- Sexual Harassment on the dance floor.
- Damage to property by someone at the dance or due to weather.
Alternative Organizational Structures...

- Incorporate as a for profit organization.
- Unincorporated group of volunteers.
- Fiscal sponsorship through another group
- Program affiliated with another nonprofit
Pause...

Questions and discussion.

What are stories that you can share?
## Local Experiences – Burlington Vermont

<table>
<thead>
<tr>
<th>Starting Point</th>
<th>Ending Point</th>
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<tbody>
<tr>
<td>Queen City Contras</td>
<td>Queen City Contras Inc.</td>
</tr>
<tr>
<td>Non-incorporated non-profit</td>
<td>Incorporated non-profit</td>
</tr>
<tr>
<td>Bylaws defined a membership organization of dancers.</td>
<td>Bylaws limited membership to Board only; better reflection of reality and much easier to manage.</td>
</tr>
<tr>
<td>Bank refused to cash checks</td>
<td>New account, accepts checks</td>
</tr>
<tr>
<td>Had liability insurance</td>
<td>No change</td>
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</tbody>
</table>
Multi-month, multi-step process

- Obtained new TIN (Tax Identification Number)
- Incorporated new organization with State (filed Articles of Incorporation)
- Wrote new Bylaws
- Formed new Board (though same as original)
- Dissolved the existing organization; moments later established new organization
- Re-joined CDSS to get liability insurance and non-profit status.
- Closed one bank account and opened another.
Local Experiences
Ottawa

Catherine’s story:
Is part of a group that started off running a concert series and subsequently a dance series.
Incorporated as a non profit to protect ourselves from liability.
Have considered becoming a charitable organization but have always decided not to. Would we fit the CRA’s criteria? What would the advantage be?
Bylaws

• Developed during the incorporation phase.
• Bylaws are the rules that govern the internal management of an organization.
• They are written by the organization's founders or directors and cover, at minimum, topics such as how directors are elected, how meetings of directors are conducted, and what officers the organization will have and their duties.
• Good practice to review bylaws every year or two, and update them as needed.
• Lots of great resources available on-line at CDSS and many other sites.
Articles of Incorporation

• Developed during the incorporation phase to form the organization and set out the organization’s purpose.
• Is a legal document that is filed with the government – for dance groups usually with the province or state.
• Nonprofit articles contain the organization’s basic information (name, registered agent, office address, etc.).
• Tip – when incorporating, define a broad mission: While it is possible to edit the Articles of Incorporation, it requires filing paperwork.
Best practices for managing groups...

• Be aware of organizational responsibilities and risk, and seek to mitigate that risk (incorporate, liability insurance).
• Should have documents (bylaws) that outline how the people work together, make decisions and manage succession.
• Should regularly update bylaws.
• Some groups have established dancer safety policies or grievance procedures to handle difficult situations and/or to mitigate risk and liability exposure.

All Hands On Board:
http://www.blueavocado.org/content/all-hands-board-board-directors-all-volunteer-organizations-0

Volunteer Management:
https://www.energizeinc.com/
Next steps…

• Is your dance group incorporated?
• Does your dance group have liability insurance?
• When is the last time your dance group reviewed and updated its bylaws?
• Does your dance group have charitable or nonprofit status?
• Consider facilitating a discussion about risk with other members of your dance group.

Discussion…
Canadian Resources

• Imagine Canada
   http://www.imaginecanada.ca/

• Charity Village Canada
   https://charityvillage.com/topics/quickguides/starting-a-nonprofit.aspx

• Charity Central
   http://www.charitycentral.ca/

• Sector Source
   http://sectorsource.ca/managing-organization/starting-organization/be-charity-or-not
U.S. Resources

National Council of Nonprofits
https://www.councilofnonprofits.org/tools-resources/how-start-nonprofit

Foundation Center
http://foundationcenter.org/gainknowledge/map/start-up-map.html

Idealist.org
http://www.idealist.org/info/Nonprofits

National Center for Charitable Statistics
http://nccs.urban.org/statistics/
Questions?
THANK YOU SO MUCH!