Contents

Preface ................................................................. vii

Introduction ............................................................ ix
  Exempt Status .......................................................... ix
  What Is a Nonprofit?—Purpose ........................................ ix
  Do You Really Want a Nonprofit?—Control Issues .................. x
  To Whom Does the Organization Report? ............................ xi
  Basic Differences and Similarities .................................... xii

PART I: FORMING YOUR NONPROFIT

Choice of Entity ......................................................... 1
  Trusts ........................................................................ 1
  The History of Charitable Trusts ....................................... 2
  Corporations ................................................................ 3
  Unincorporated Associations .......................................... 4
  Limited Liability Companies ......................................... 6
  Choosing an Entity ...................................................... 8
  Summary of Entities ................................................... 9

Differences in State Laws .................................................. 11
  Benefit/Flexible Purpose Corporation ................................. 11

Forming the Corporation .................................................. 12
  FIRST STEP: Articles of Incorporation ............................... 12
  Summary of First Step: Articles of Incorporation ................ 16
  SECOND STEP: Determine How the Corporation Will Be Governed ........................................... 17
  Summary of Second Step: Determine How Corporation Will Be Governed ............................. 30
  THIRD STEP: Electing Directors, Initial Meeting, and Subsequent Meetings ......................... 31
  Summary of Third Step: Electing Directors; Initial and Subsequent Meetings ......................... 33
Contents

FOURTH STEP: Establish Exempt Status ........................................ 34
Summary of Fourth Step: Establish Exempt Status ................. 47

PART II: OPERATING YOUR NONPROFIT

Raising and Spending Money .............................................. 49
  Designated Gifts ...................................................... 49
  Designated Gift to Person ........................................... 50
  Restrictions on Contributions: Donor-Advised Funds .......... 51
  Contributions of Gifts in Kind .................................... 53
  Borrowing Money .................................................... 53
  Purpose and Arrangements with Business Entities .......... 55
  Deferred Giving ....................................................... 57
  Charitable Contributions to Non-501(c)(3) Exempt Organizations 59
  Should the Same Entity Be Used for Various Operations? 60
  Support to a Non-U.S. Organization ............................. 61
  Business Entity Raising Funds for Nonprofit Purpose .... 62
  Charitable Solicitation Registration ............................. 63
  Accumulating and Managing Funds .............................. 65
  UMIFA, UPMIFA, and Donor Intent ............................ 66
  Is Your Contribution Deductible? You Can’t Deduct the Fur Coat 68
  Unrelated Business Income ....................................... 70
  Subsequent Bankruptcy of Donor .................................. 72

Reporting Requirements ..................................................... 73
  Form 990 ................................................................. 73
  Donor Substantiation Requirements .............................. 75
  Directors’ Responsibilities (Fiduciary Duties) .................. 76
  Enforcement of Laws ................................................. 97
  Employees and Volunteers .......................................... 110

PART III: END-OF-LIFE PLANNING FOR EXEMPT ORGANIZATIONS

Options ................................................................. 121
  Sale of Assets ....................................................... 122
  Conversions .......................................................... 122
  Transfer of Control ................................................... 123

Steps for Voluntary Dissolutions ................................... 123

Steps for Mergers ......................................................... 124