

Maryland Association of Nonprofit Organizations

Maryland Nonprofits' mission is to strengthen organizations and networks for greater quality of life and equity.





Key programs include:

- ❖ Membership
- ❖ Maryland Latinos Unidos (MLU)
- ❖ Maryland Association of Resources for Families and Youth (MARFY)
- ❖ Black Executive Directors Network
- ❖ Consulting Group
- ❖ Policy/Advocacy
- ❖ Standards for Excellence Institute
- ❖ Nonprofit Development Center



www.marylandnonprofits.org

[Facebook.com/MarylandNonprofits](https://www.facebook.com/MarylandNonprofits)

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Find more information at: www.marylandnonprofits.org

Nonprofits: Get Help

- COVID-19 Resources
- Raise Money
- Strengthen my Board of Directors
- Advocate for my mission
- Nonprofit Development Center
- Nonprofit Learning Library
- Service Provider Directory

What We Offer

- Standards for Excellence
- Membership
- Maryland Latinos Unidos
- MARFY
- Black ED Network
- Consulting & Legal
- Start a Nonprofit
- Professional Development
- Charge Up Collaborative





NONPROFIT DEVELOPMENT CENTER

Presented by



CONNECTING SMALL NONPROFITS WITH
RESOURCES TO HELP THEM GROW

ELIGIBILITY REQUIREMENTS

- ⚙️ 501 (c) (3), (4), or (6)
- ⚙️ Less than 10 years old
- ⚙️ Less than \$750,000 in revenue

www.marylandnonprofits.org

FREE TRAINING,
CONSULTING & TOOLS

APPLY:
MARYLANDNONPROFITS.ORG

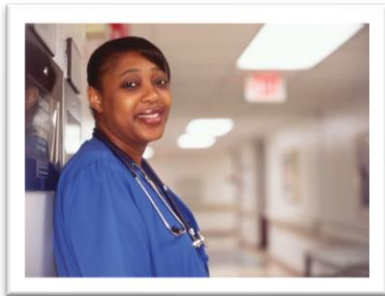
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Nonprofits in Maryland

Over **32,000**
nonprofits



What are nonprofits? (legally)

A volunteer-governed corporation with specific tax exemptions at the state and federal level

- A Maryland non-stock, exempt corporation
 - Members (usually = Board of Directors)
 - Exempt from paying:
 - State corporate income tax
 - Sales tax on purchases
 - Real Property taxes
 - Personal Property taxes
- An IRS 501(c) class exempt organization
 - Meets “charity” criteria
 - Exempt from federal corporate income taxes
 - Contributions are deductible (§501(c)(3))

For Profit v. Nonprofit

Type of Organization	For Profit	Nonprofit
Ownership	Individual/Partners Stockholders	N/A
Decision Making	Owner(s)	Board/Members
Profits	Distributes dividends	No profit distribution
Capitalization	Can sell stock to raise income	Rely on tax deductible contributions
Revenue Sources	Gov't contracts, fees for services, some grants	Gov't contracts, fees for services, grants, public support

501(c)(3) – Tax Exempt

Doesn't Mean “No Taxes”

- Employment Taxes
 - State unemployment tax
 - Social security *
 - Medicare income taxes *
- Sales Taxes

* Failure to pay unemployment taxes and withhold social security and Medicare can lead to personal liability for the directors and key individuals.

Governance vs. Operations

(Clarifying Roles & Responsibilities)

Have Control/Vote

Board of Directors

5-7+ Non-related
Individuals

Volunteers

Each with 1 vote

- Fiduciary Duty
- Set Mission
- Set Policy
- Hire / Fire Executive
- Provide Financial Oversight

Receive a Paycheck

Executive Director

Volunteer/Paid

No vote on Board

- Manages day-to-day operations
- Hires / Fires other staff
- Recommends to board

HOW TO BE GRANT-READY: NUTS & BOLTS

- Clearly articulate your **mission**
- Conduct an **environmental scan** (Who else is doing what you do? Know the competition.)
- Confirm the **board of directors and CEO** know roles and responsibilities (governance vs. management)
- Maintain **corporate charter** with SDAT
- Update **bylaws** to reflect governance practices
- Confirm **conflict of interest policy**
- Confirm **990s** are filed annually
- Submit **State compliance documents** annually

Environmental Scan

- Identify other organizations in the State and in your program's geographic area
- Research mission, impact, funding sources
- Review organizing documents and 990s
- Distinguish other groups from your organization – why should you get the \$?

DEVELOP A BUSINESS PLAN

Board of Directors

- *At least 3-5* unrelated individuals who will serve as volunteers
- Fiduciary duties (duty of care, duty of loyalty)
- No compensation
- Legal and Financial responsibility
- Governance (not management, unless all volunteer)
- Building a balanced, diverse, representative board

Bylaws

- Members (membership vs. board-governed)
- Members' Rights
- Meetings
- Quorum
- Voting
- Role of board of directors
- Elections
- Terms
- Removal/resignation
- Officers
- Description of officers' duties
- Board meetings
- Committees
- Appointed staff
- Conflict of interest
- Indemnification
- Corporate records
- Fiscal year
- Amendments
- Dissolution

Conflict of Interest Policy

“Nonprofits should have a **written conflict of interest policy** and statement. These should be applicable to **board members** and **staff**, as well as **volunteers**, who have significant, independent decision-making authority regarding the resources of the organization. The policy and statement should be executed by covered individuals both at the time of the individual's **initial affiliation** ... and **annually** thereafter.

The conflict of interest policy should identify the types of conduct or **transactions that raise conflict of interest concerns**, should set forth **procedures** for disclosure of actual or potential conflicts, and should provide for review of individual transactions by the uninvolved members of the board of directors.”

EIN

Form SS-4 (Rev. December 2019) Department of the Treasury Internal Revenue Service		Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ Go to www.irs.gov/FormSS4 for instructions and the latest information. ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003 EIN <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>	
Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>				
	2 Trade name of business (if different from name on line 1) <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		3 Executor, administrator, trustee, "care of" name <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		
	4a Mailing address (room, apt., suite no. and street, or P.O. box) <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		5a Street address (if different) (Don't enter a P.O. box.) <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		
	4b City, state, and ZIP code (if foreign, see instructions) <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		5b City, state, and ZIP code (if foreign, see instructions) <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		
	6 County and state where principal business is located <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>				
	7a Name of responsible party <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		7b SSN, ITIN, or EIN <div style="background-color: #e0e0ff; height: 20px; width: 100%;"></div>		
	8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No		8b If 8a is "Yes," enter the number of LLC members <input type="text"/>		
	8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No				
	9a Type of entity (check only one box). Caution: If 8a is "Yes," see the instructions for the correct box to check.				
	<input type="checkbox"/> Sole proprietor (SSN) <input type="text"/>		<input type="checkbox"/> Estate (SSN of decedent) <input type="text"/>		
<input type="checkbox"/> Partnership		<input type="checkbox"/> Plan administrator (TIN) <input type="text"/>			
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ <input type="text"/>		<input type="checkbox"/> Trust (TIN of grantor) <input type="text"/>			
<input type="checkbox"/> Personal service corporation		<input type="checkbox"/> State/local government			
<input type="checkbox"/> Church or church-controlled organization		<input type="checkbox"/> Federal government			
<input type="checkbox"/> Other nonprofit organization (specify) ▶ <input type="text"/>		<input type="checkbox"/> REMIC			
		<input type="checkbox"/> Indian tribal governments/enterprises			



1023 Application

“Application for Recognition of Exemption Under §501(c)(3) of the Internal Revenue Code”

- 1023EZ (under \$50K annually for 1st 3 years)
- Long Form 1023
 - I & II: Identify the Applicant & Organization Structure
 - III: Required Provisions
 - IV: Narrative Description of Activities
 - V: Financial Arrangements with Officers
 - VI, VII, & VIII: Members, History, Activities
 - IX: Financial Data
 - X: Public Charity Status

Determination letter



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

FRIENDS OF THE ABERDEEN B AND O TRAIN
STATION INC
C/O RICHARD HERBIG
2327 COX RD
JARRETTSVILLE, MD 21084-0000

Date: 10/09/2020
Employer ID number: 85-1444115
Person to contact: Name: Customer Service
ID number: 31954
Telephone: 877-829-5500
Accounting period ending: December 31
Public charity status: 170(b)(1)(A)(vi)
Form 990 / 990-EZ / 990-N required: Yes
Effective date of exemption: June 1, 2020
Contribution deductibility: Yes
Addendum applies: No
DLN: 26053637012910

Dear Applicant:

We're pleased to tell you we determined you're exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). Donors can deduct contributions they make to you under IRC Section 170. You're also qualified to receive tax deductible bequests, devises, transfers or gifts under Section 2055, 2106, or 2522. This letter could help resolve questions on your exempt status. Please keep it for your records.

Organizations exempt under IRC Section 501(c)(3) are further classified as either public charities or private foundations. We determined you're a public charity under the IRC Section listed at the top of this letter.

If we indicated at the top of this letter that you're required to file Form 990/990-EZ/990-N, our records show you're required to file an annual information return (Form 990 or Form 990-EZ) or electronic notice (Form 990-N, the e-Postcard). If you don't file a required return or notice for three consecutive years, your exempt status will be automatically revoked.

If we indicated at the top of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

For important information about your responsibilities as a tax-exempt organization, go to www.irs.gov/charities. Enter "4221-PC" in the search bar to view Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, which describes your recordkeeping, reporting, and disclosure requirements.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

“We are pleased to tell you we determined you’re exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). Donors can deduct contributions they make to you under IRS Section 170...”



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State Compliance Documents

- Charitable Solicitation Registration
 - COR-92
 - COF-85
- State income tax exemption
 - Letter to Comptroller
- Sales & Use tax exemption
 - SUTEC

Continuing Annual Compliance

- Annual Return, Form 990
(990N, 990EZ, 990)
- SDAT Annual Report
- Charitable Solicitation Annual Update
- Liability Insurance*
- Directors & Officers Liability Insurance*

*not required by law but best practices

Getting Help

- Join Maryland Nonprofits
 - Flat Fee 501(c)(3) Startup assistance (\$1,200 or \$1,700 plus filing fees)
 - Extensive online resources
 - Discounted training programs
 - Cost-saving benefits for nonprofits
 - Technical assistance for nonprofits and their staff

www.marylandnonprofits.org

Questions?

Thank You!

Paddy Morton, Esq.

443.438.2331

pmorton@mdnonprofit.org

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