

Top 10 List

So... You want to run a non-profit?

10. The Money is for the MISSION!

The tax-exempt status extended to a non-profit applies only to work that forwards the mission of the non-profit. Legally, a non-profit must operate exclusively for the exempt purposes set forth in its mission.

9. Respect the RESTRICTIONS

A donor may “restrict” the use of their donation, which means the non-profit can only spend the money on the intended purpose. Because of the way chapters solicit contributions, income to your chapter is typically restricted for your school or specific school activity.

8. Steer clear of anything political or religious

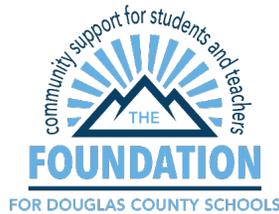
Our tax-exemption depends on it!

7. Provide donors with a gift acknowledgement

You are legally required to send the donor an acknowledgement that they gave a tax-deductible donation for any donation of more than \$250. It is a good idea to send a warm thank-you letter to all donors!

6. Charitable contribution or not? Know the difference.

Income is only tax deductible if it is a gift, with no exchange of goods or services. Anything sold at fair-market-value is not tax deductible and shouldn't receive an acknowledgment letter. This includes: tickets for an event like a dinner, purchase of an auction item, carnival tickets. (Note: If the purchaser pays a price higher than the value of the item, the difference *is* tax-deductible, the value of the item is not.)



5. Document, Document, Document

Your chapter is a business, and non-profits are held to a higher standard than many businesses for financial tracking and documentation. Carefully document your financials and hold onto all records for seven years.

4. Spend the money you earn!

We all like a bit of safety net, but your donors want you to spend the money they have contributed to support your school or activity. With some exceptions (like a capital campaign), each year your chapter should spend down at least 85% of your gross earnings.

3. Differentiate your expenses

Nonprofits are subject to a unique accounting requirement that requires the reporting of expenses according to the purpose for which they are incurred. This process, referred to as functional expense allocation, requires you to differentiate between expenses for program services, cost of fundraising and management.

2. Be proactive in preventing fraud

Fraud can happen intentionally or unintentionally! Dual control, Foundation oversight, and the policies of the Foundation protect you. Particular risk comes from using non-official Foundation accounts, such as a personal PayPal or bank account. This is prohibited and can compromise our 501c3 status.

1. IRS, Secretary of State, Licensing... oh my!

Relax, we've got you covered! The Foundation handles your 990, audit, periodic filing, charitable solicitations license, 1099s, E&O coverage and more! Don't know what half this stuff is? Don't sweat it, we've got you covered!

RESOURCES:

<https://www.thebalancesmb.com/the-link-between-donor-acknowledgement-letters-and-taxes-2501853>

<https://www.investopedia.com/terms/r/restricted-fund.asp>

<https://www.yeoandyeo.com/downloads/resources/documents/functional-expense-allocations-for-nonprofits-2016-yeoandyeo.pdf>