How to Get to Use the Magic Words:
"TAX DEDUCTIBLE"

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Today's Presentation & Materials

WHY YOU ARE HERE?
- Protect the Resource and Accessibility of Your Local Library
- Provide for Improvements and Expansion of Your Library and Its Collection
- Community Service and Community Enhancement
- Key Part - exempt organizations' ability to act and engage - with FOCUS.
FRIENDS GROUP

vs.

FRIENDS FOUNDATION

IMPERFECT ANALOGY

- FRIENDS GROUP: JEEP
- FOUNDATION: MASERATI

ORIGINAL JEEP

- Simple
- Versatile
- Low overhead
MASERATI RACER

- Complex machine
- Optimized for special function
- Requires special fuel and tires
- Very good at designed function

FRIENDS GROUP

- AD HOC SUPPORT FUNCTIONS
  - Book sales
  - Baked goods sales
  - Talk up library goals in community
  - Training ground for library board members

LIBRARY FOUNDATION

- Focused on raising money – lots of it!
- Capital campaigns
- Endowment campaigns
- Grant writing
- Core staff are paid professionals
A CONTINUUM?

- Friends undertake long-range fund raising
- Friends undertake permanent programming

What is and What Role does it Play? a
Friends Group, Who are Friends

Why Incorporate

- For the health of your organization, continuity and focus of purpose
- For your income to be tax exempt - required
- For your supporters to be able to claim charitable donations

**Generally FOL's are Type B per NFPCCL**
Group Formation

- Discuss with your librarian for “buy in”
- Recruit individuals from library, patrons, friends, and professionals
  - Assemble a strong steering committee
- Begin to fill out Certificate of Incorporation, draft By-Laws & Mission Statement

The Process

1. BYLAWS & MISSION STATEMENT
2. POLICIES & PROCEDURES
3. FEDERAL & STATE TAX EXEMPT STATUS
4. LONG RANGE PLANNING

BYLAWS & Mission Statement

- Name of Organization, Membership, Officers, Meetings, Rules, Purpose “Mission Statement”, Procedures for Amending By-Laws, Dissolution Statement, etc.
  - Federal Law requires an institutional relation between the Friends Group and the library

- http://www.cslib.org/focli/sample.html
- http://folusa.org/sharing/sample-bylaws.php
Policies & Procedures (KEY!!)

- Written Structure of Financial Operations
  - How money comes in
  - Who/How - Funds Handled Daily
  - Who/How - Review and Reconciliation
  - Who/How - Presentation and Communication to library, to public, to donor

- Written Structure of Program Operations

FEDERAL & STATE TAX EXEMPT STATUS

ENTITY FORMATION:

- Articles of Incorporation, Certificate of Incorporation or Constitution (generally type B)
  - Framework, Limits and Scope
  - See Sample for Required Verbiage
    - More Samples: http://www.managementhelp.org/legal/articles.htm
- By-Laws - Internal Operating Procedures
- File for EIN number (obtained through Form SS-4) - for bank account and IRS identification

FEDERAL & STATE TAX EXEMPT STATUS, con’t.

- To apply for federal exempt status fillout FORM 1023 Application for Exemption, fee of approx. $300 or $750.
- ** Entities should file for exemption within 27 months from their date of formation to be treated as 501(c)(3) since date formed.
FEDERAL & STATE TAX EXEMPT STATUS, con't.

- Annually file 990 (no fee). Your past 3 year 990's are open for public inspection - must make it available as well as your application - copies and avoid penalty fees if you do not immediately provide
- All organizations will soon need to annually file 990-N so someone will need to be responsible for the calculation and filing.
- Failure could result in loss of tax exempt status

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FEDERAL & STATE TAX EXEMPT STATUS con’t.

- NYS File Form CHAR 410 "Registrations Statement for Charitable Organizations" Article 7A - charitable and other nonprofit organizations that solicit contributions from NYS
  - [http://www.cag.state.ny.us/charities/charities.html](http://www.cag.state.ny.us/charities/charities.html)
- Annually file CHAR 500 & 990-EZ or 990 & attachment (if applicable)
  - Statement with CPA's review report if gross revenues are above $100,000 but less than $250,000
  - Audited statement if gross revenues are above $250,000

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Long Range Plan

- Incorporate library staff and volunteer turnover
- Goal setting criteria and timelines
- Review entity going concern
To Claim with IRS: (RECEIPT)

- 2006 Pension Protection Act – Donations Substantiation - Effective for tax years post 8/16/07
  - >=$250.00 in amount
    - BANK RECORD – cancelled check or statement
    - CHARITY COMMUNICATION
      - Date / Name / Amount
  - >=$250.00 - MUST HAVE CHARITY COMMUNICATION

QUESTIONS?

~ THANK YOU ~

BIBLIOGRAPHY

- Friends of Libraries USA
  - http://folusa.org/index.php

- Office of the Attorney General
  - http://www.oag.state.ny.us/charities/charities.html