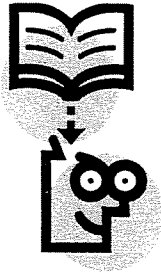


How to Get to Use the Magic Words: "TAX DEDUCTIBLE"

Presenters:
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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

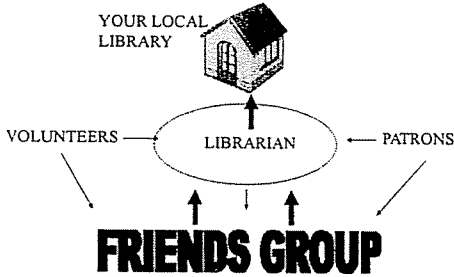
LIBRARY FOUNDATION

- 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 NFPCL

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/focl/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.
 - <http://www.irs.gov/pub/irs-pdf/f1023.pdf>
- ** 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
 - <http://www.irs.gov/pub/irs-pdf/i990-ez.pdf>
- 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

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.oag.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*

Long Range Plan

- Incorporate library staff and volunteer turnover
- Goal setting criteria and timelines
- Review entity going concern

To Claim with IRS: (RECIPT)

- 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 ~

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- Friends of Libraries USA
 - <http://folusa.org/index.php>
approval obtained from BethN@folusa.org
- Office of the Attorney General
 - <http://www.oag.state.ny.us/charities/charities.html>
- IRS – www.irs.gov
