



USNA ALUMNI ASSOCIATION

Chapters and Parents' Clubs

“Becoming a 501(c)(3) Non-Profit Organization”



7 October 2016



USNAAA Chapters & Parents' Clubs

Agenda

- Frequently Asked Questions (FAQs)
- Why Become a 501c(3)
- A Process to Become a 501c(3)



USNAAA Chapters & Parents' Clubs

FAQ # 1: Costs of a 501c(3)

- What are the costs?
 - One-Time: ~ \$475
 - Obtaining a name: ~ \$70 (state)
 - Federal Filing: \$400
 - Annual: no more than \$100
 - State: ~ \$60
 - If Amendments: \$35
 - Change board members, name or articles
 - Penalty
 - Penalty Fee if late filing: \$400



USNAAA Chapters & Parents' Clubs

FAQ # 2: Time Requirements for a 501c(3)

- What are the time requirements?
 - Establishing the 501c(3)
 - Reviewing & submitting documents
 - ~ 10-20 hours
 - Annual Renewal
 - Going on line to pay your annual fee
 - ~ 1-2 hours
 - End of the Year Tax Notifications
 - For all that paid dues, made donations, etc.
 - ~ 5-10 hours



USNAAA Chapters & Parents' Clubs

FAQ # 3: 501c(3) Process Length

- How long is the 501c(3) Process?
 - State: ~ 4-6 weeks
 - Federal: ~ 2-3 months



USNAAA Chapters & Parents' Clubs

FAQ # 4: The 501c(3) Registered Agent

- Does the registered agent need to be an attorney or CPA?
 - No
 - It is just an individual designated to do the 501c(3) organization's filing
 - If you have an attorney or CPA on your board and are designated as your registered agent, recommend they do it "pro bono" not to be in conflict of interest.



USNAAA Chapters & Parents' Clubs

FAQ # 5: Filing Income Taxes

- Do 501c(3)'s need to file income taxes?
 - Yes, must be filed every year
 - The IRS monitors compliance with Federal law, while the state with state law
 - EXAMPLE: The Orlando Chapter has filed every year since becoming a 501c(3), but has never had to pay any taxes



USNAAA Chapters & Parents' Clubs

FAQ # 6: Turnover in a 501c(3)

- Is turnover a problem in a 501c(3)?
 - No, but an amendments must be filed at ~ \$35 for a change in board members
 - Recommendations
 - Deputy registered agent
 - Create an turnover checklist of what the registered agent needs to do annually
 - Turnover 501c(3) required files



USNAAA Chapters & Parents' Clubs

Agenda

- Frequently Asked Questions (FAQs)
- Why Become a 501c(3)
- A Process to Become a 501c(3)



USNAAA Chapters & Parents' Clubs

EXAMPLE # 1: Away Football Games

- For away football games there are:
 - Pre-game banquet & tailgate
- Some fees include:
 - Tent, hotel / facility, food service and banquet expenses
- What about the taxes?
 - Taxes could be in the thousands of dollars

501c(3) organizations do not have to pay taxes.



USNAAA Chapter & Parents' Clubs

EXAMPLE # 2: Joint Orlando Alumni Chapter / Parents' Club 2014 Military Ball

- **Purpose:**

- An evening to honor the young men and women of Central Florida attending USNA, USMA, USAFA, USCGA & USMMA

- **501(c)(3) Tax-Exempt Status Used For:**

- Inviting individuals and businesses to express appreciation for those who are training for leadership in our Country's Armed Forces with cash donations or services to be used in the silent auction that evening.

- **Donations Used For:**

- Offered as a prize in the very successful Silent Auction. All monies raised go directly to the supporting of programs associated with the Academy for our Midshipmen.

- **Types of Donations Received:**

- Cash Donations, Local Restaurant and Merchant Gift Cards, Hotel Accommodations, Services from Merchants, Theme Park Tickets, Professional Sports Team Memorabilia, Handmade Items ➔ Money Earned: \$4,500

Starting with being for Service Academies got in the door.

Stating we were a 501c(3) Tax Exempt Organization, companies wanted to donate.



USNAAA Chapter & Parents' Clubs

Why Become a 501(c)(3) Non-Profit Organization

- **For the local alumni**

- Fees and Donations are FULLY Tax Deductible
 - Annual membership fees
 - Any associated event fees
 - Other donations

- **For the alumni chapter**

- Free banking
- ***No event fee taxes***
- Cheaper software (www.techsoup.org)

PRIMARY GOAL FOR MONEY COLLECTED:

Provide tuition assistance to potential USNA candidates



USNAAA Chapter & Parents' Clubs

EXAMPLE: Orlando Chapter Value Proposition

- **Advocate...** the Academy's mission and its hugely positive net impact
 - outreach into local government, business, and education network
 - sharing your experiences individually and at group events
- **Sustain...** the continuing quality of USNA alumni
 - *providing tuition assistance to deserving Summer Seminar and STEM students*
 - teaming with local Parent's Club and Blue & Gold Officers
- **Connect...** with Shipmates (old & new), expand your reach into our Orlando community, and stay up with USNA affairs
 - engaging in wide range of connective, enriching, and fun activities
 - enjoying active relationships with USNA and USNAAA key representatives



USNAAA Chapter & Parents' Clubs

EXAMPLE: Orlando Chapter Purpose

The Chapter is organized exclusively for charitable and educational purposes including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Goals include, but are not limited to, support of the United States Naval Academy Alumni Association (USNAAA), the United States Naval Academy, its candidates, students and alumni.



USNAAA Chapters & Parents' Clubs

Agenda

- Frequently Asked Questions (FAQs)
- Why Become a 501c(3)
- A Process to Become a 501c(3)



USNAAA Chapter & Parents' Clubs

Created 501(c)(3) Checklist

- 1) Review Documents
- 2) Select Name
- 3) Develop Chapter Documents
- 4) Establish a Board of Directors
- 5) Prepare Conflict of Interest Statements
- 6) Contact Information
- 7) Create a File Center
- 8) Preparations for Filing
- 9) Filing

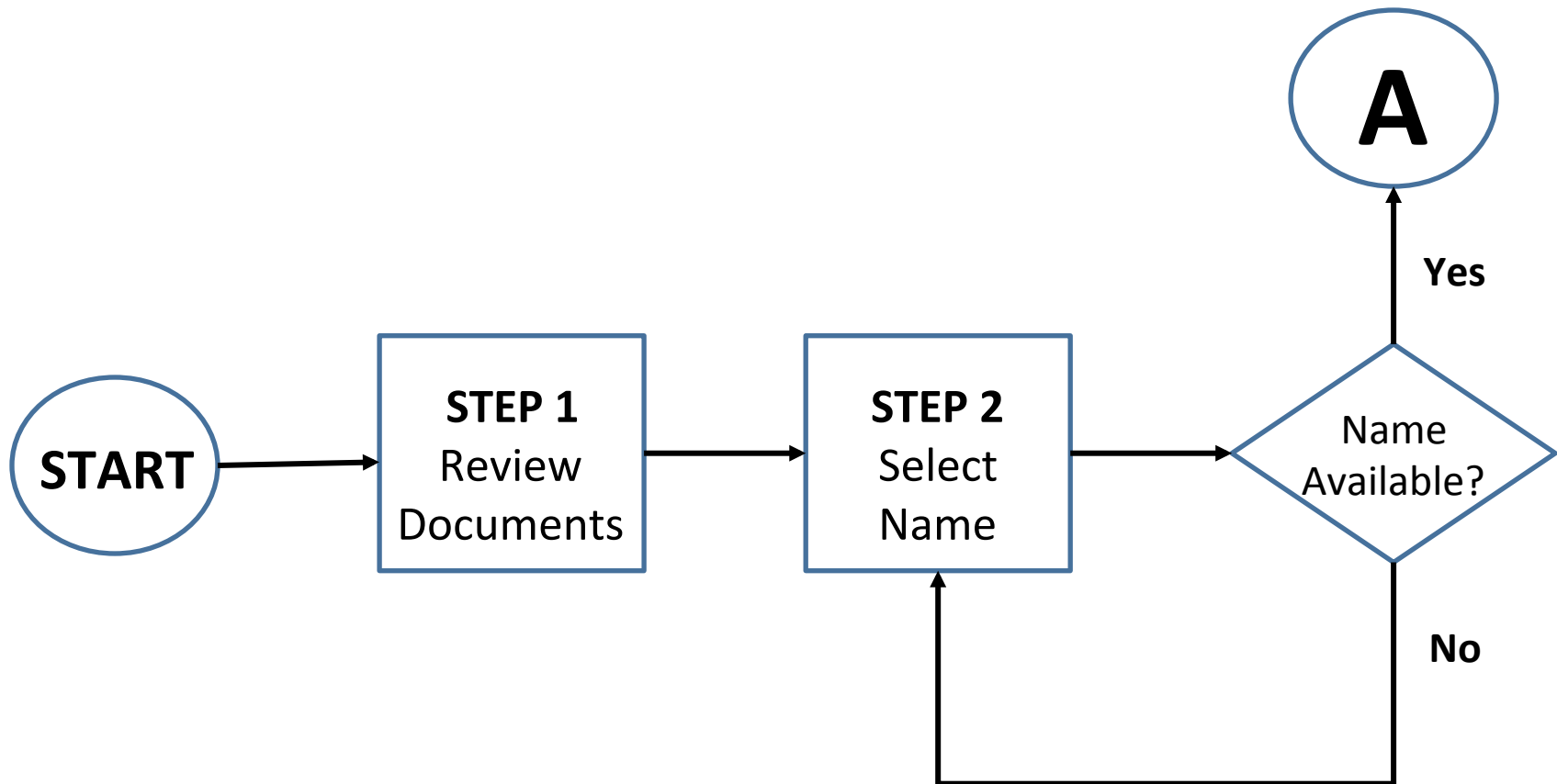


Developed from the Orlando Chapter's lessons learned.



USNAAA Chapter & Parents' Clubs

Process Flow: Initial Steps





USNAAA Chapter & Parents' Clubs

STEP 1: Review Documents

- **Federal Documents**

 - F1023 Checklist

- **State Documents (FL example)**

 - Chapter 617, Florida Statutes:
Corporations for Non-Profit

 - Available at www.sunbiz.org,
Division of Corporations

Form 1023 Checklist
(Revised June 2006)
Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

Note. Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.

☐ Assemble the application and materials in this order:

- Form 1023 Checklist
- Form 2848, Power of Attorney and Declaration of Representative (if filing)
- Form 8821, Tax Information Authorization (if filing)
- Expedite request (if requesting)
- Application (Form 1023 and Schedules A through H, as required)
- Articles of organization
- Amendments to articles of organization in chronological order
- Bylaws or other rules of operation and amendments
- Documentation of nondiscriminatory policy for schools, as required by Schedule B
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (if filing)
- All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.

http://www.sunbiz.org/ Web Mail Messages www.sunbiz.org

FLORIDA DEPARTMENT OF STATE
DIVISION OF CORPORATIONS www.sunbiz.org

Home Contact Us E-Filing Services Document Searches Forms Help

CONSUMER ALERT: Chapter 720.303, FS now requires homeowner associations to register online with the Department of Business and Professional Regulation at: www.myfloridalicense.com/hoa. This is a one-time registration requirement. If you have any questions regarding this requirement, please contact the Department of Business and Professional Regulation at 800-226-9101.

CONSUMER ALERT: Once an entity is properly formed, incorporated, organized, or registered on the records of this office, it is not required to purchase or receive a certificate of status to be considered a valid business entity or registration. Please disregard any notices or solicitations you may receive to the contrary. These notices are NOT from the Dept. of State, Division of Corporations, or any other state or federal agency.

NOTICE: To serve you better, the Department of State is migrating all of its records to a new and much improved system. During this time, records updates and filings may take up to one full business day to post on Sunbiz. Thank you for your patience.

CONSUMER ALERT: Do not confuse "Annual Minutes" or "Annual Corporate Record Forms" notices with the Florida Department of State's required Annual Report filings. These notices, which solicit a fee of \$125, are NOT from the Department of State or any other state or federal agency. Please disregard these notices. Neither form is required by this office or any other state or government agency.

► Popular Links

[Search our Records](#)
[Look up a Business Name](#)
[Electronic Filing Certification](#)
[Print Filing Forms](#)
[Help](#)

File Early Florida

Material available to “walk you through the process”



USNAAA Chapter & Parents' Clubs

STEP 2: Decide Your Organization's Name

- Decide on your organization's name

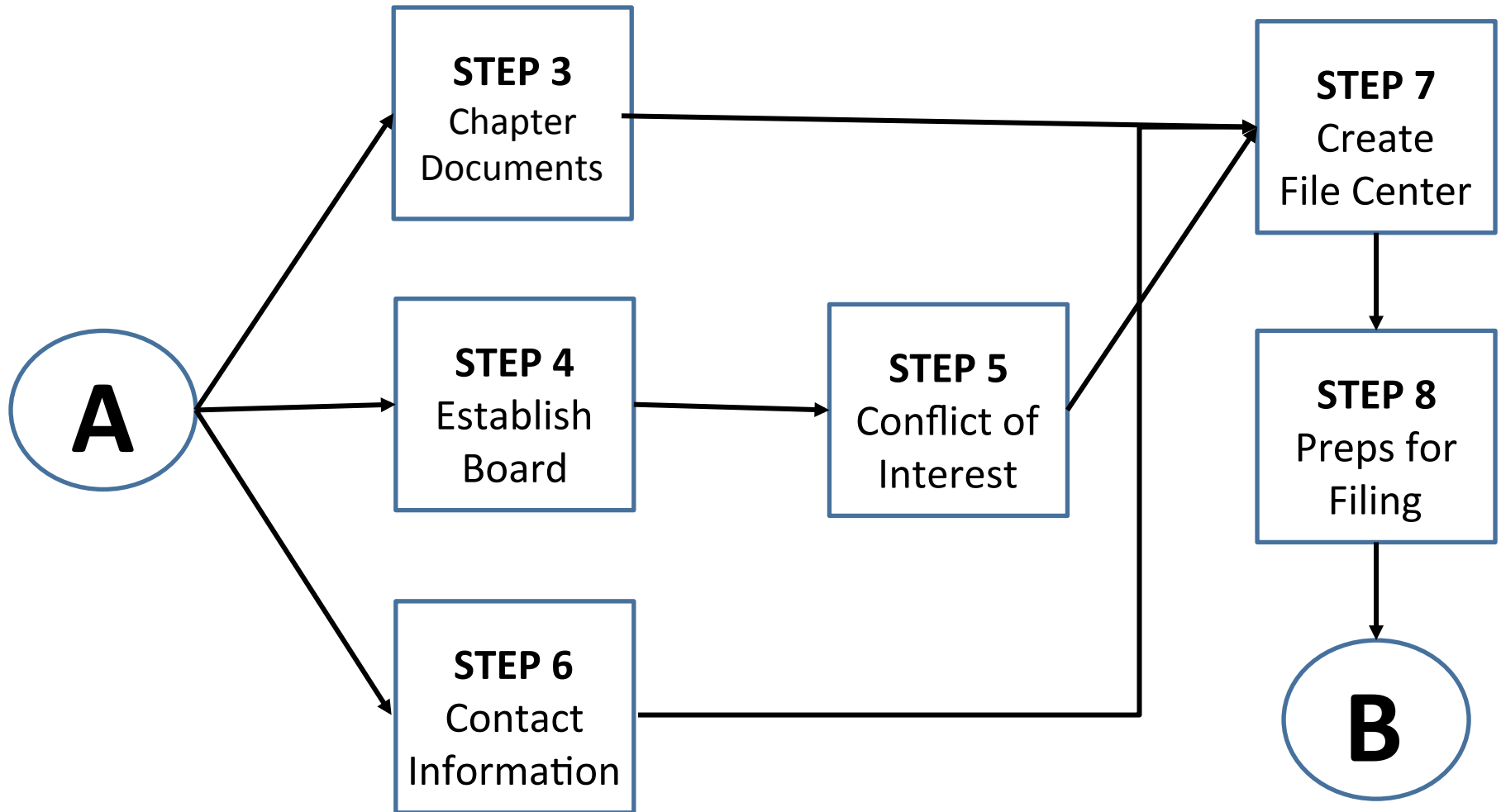
- Confirm available by “Look Up Business Name” link
- In STEP 9, file to become a non-profit (FL: \$70 + \$8.75)
- Need name, location, mailing address, purpose, officer's names and addresses, and registered agent

A screenshot of a web browser displaying the Florida Department of State Division of Corporations website. The browser's address bar shows the URL "http://form.sunbiz.org/cor_form.html". The website header includes the Florida Department of State logo and the text "DIVISION OF CORPORATIONS". Below the header is a navigation menu with links: Home, Contact Us, E-Filing Services, Document Searches, Forms, and Help. The main content area is titled "Florida Corporation Forms (Profit and NonProfit)". Below this title is a disclaimer: "***Do not use for Limited Liability Companies or LLC's. Limited Liability Companies or LLC's are not corporations.***". The text explains that users have two choices: print out the selected form, then prepare it, fill-in the form online, then print it out, and mail the completed form with the appropriate fee to the Division of Corporations for processing and filing. It emphasizes that all checks are payable to the Florida Department of State. A reminder states that all information entered on a document submitted to the Division of Corporations will be available on their "public record" web site at "www.sunbiz.org". A list of 17 forms is provided, including: 1. Profit Articles of Incorporation, 2. NonProfit Articles of Incorporation, 3. Profit Articles of Amendment, 4. NonProfit Articles of Amendment, 5. Articles of Correction, 6. Resignation of Officers/Directors, 7. Resignation of a Registered Agent, 8. Change of a Registered Agent/Registered Office, 9. Profit Articles of Dissolution (Shares Issued), 10. Profit Articles of Dissolution (Prior to the Issuance of Shares or Commencement of Business), 11. NonProfit Articles of Dissolution (Has Commenced to Conduct its Affairs), 12. NonProfit Articles of Dissolution (Has Not Commenced to Conduct its Affairs), 13. Revocation of Dissolution of Profit Corporation, 14. Revocation of Dissolution of NonProfit Corporation, 15. NonProfit Reincorporation, 16. *Profit/NonProfit Annual Report*, and 17. *Reinstatement (Profit/NonProfit)*.



USNAAA Chapter & Parents' Clubs

Process Flow: Preparation

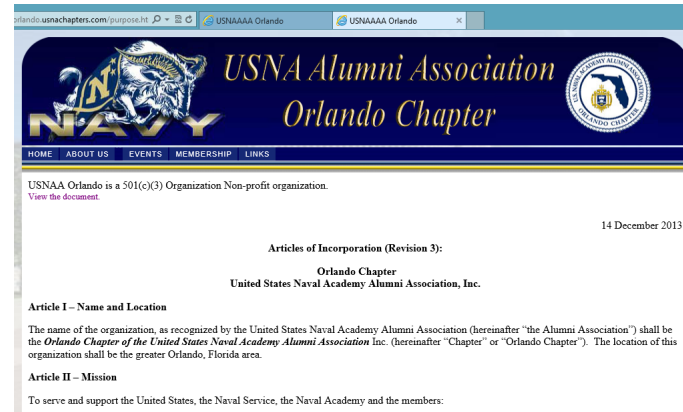




USNAAA Chapter & Parents' Clubs

STEP 3: Develop Your Chapter Documents

- Draft the organization's "Articles of Incorporation"
 - Establishes the not-for-profit, incorporates the named organization, and details the organization
 - Art I – Name & Location, Art II – Mission, Art III – Purpose, Art IV – Activities, and Art V – Dissolution
- Develop organization's Bylaws
 - State reviews Articles of Incorporation
 - IRS scrutinizes Bylaws
 - I – Name & Location; II – Chapter Membership; III – Chapter Board of Directors; IV – Nominations / Elections; V - Amendments

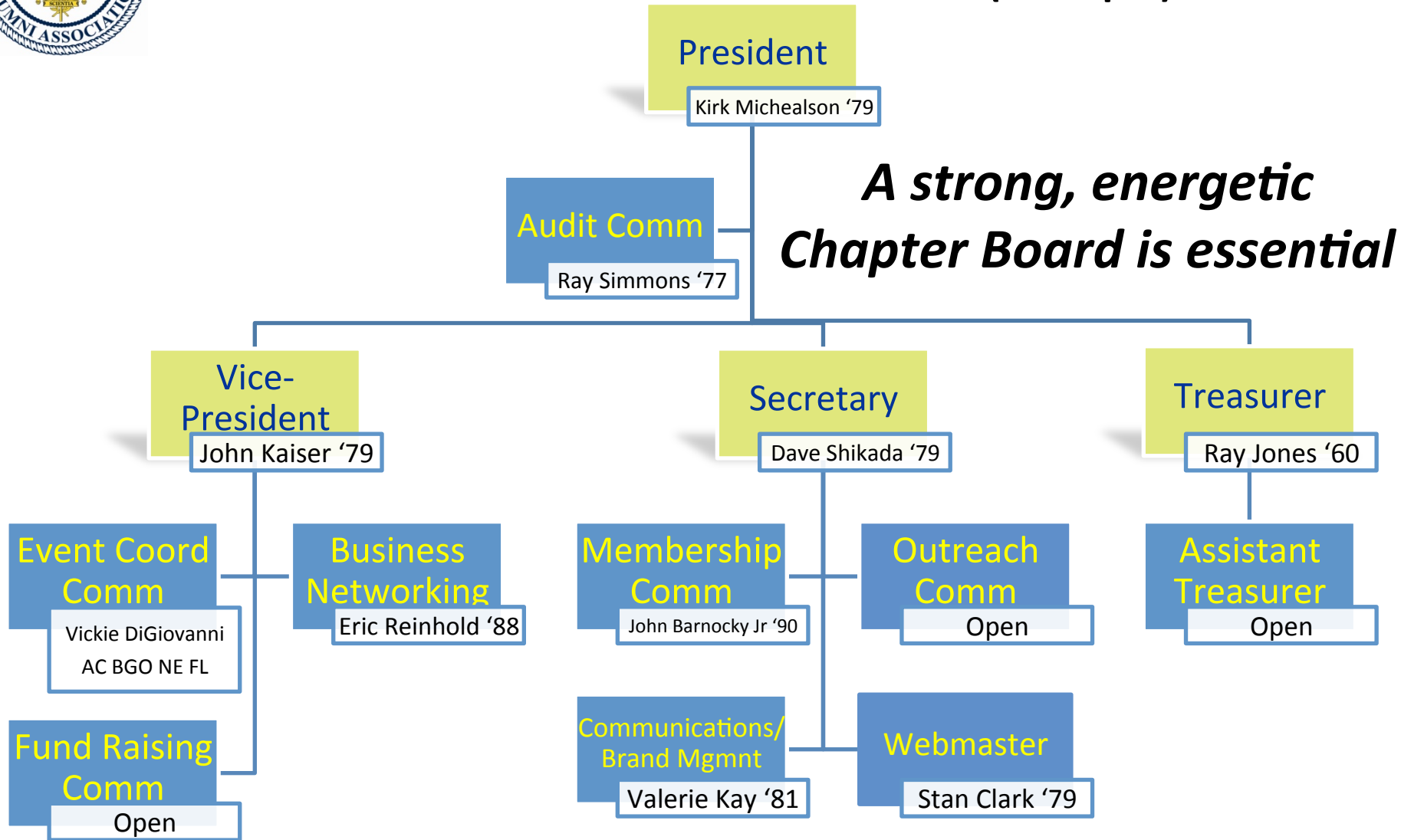


Articles: <http://orlando.usnachapters.com/purpose.html> and
Bylaws: http://orlando.usnachapters.com/pdf_files/bylaws.pdf



USNAAA Chapter & Parents' Clubs

STEP 4: Establish a Board of Directors (Example)




Board Members: Chapter Officers (gold), Committee Chairs (blue) & Advisory Directors (white)
Advisory Directors: USNA Liaisons: AC BGO NE FL – Vickie DiGiovanni , USNA Parents' Club – Tim & Theresa Willings,



USNAAA Chapter & Parents' Clubs

STEP 5: Prepare a Conflict of Interest (COI) Form



ORLANDO CHAPTER

**UNITED STATES NAVAL ACADEMY ALUMNI ASSOCIATION
INC**

CONFLICT OF INTEREST POLICY

Article I

Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. The intent is complete compliance with all requirements necessary to maintain federal 501 c 3 tax exempt status.

Article II

Definitions

1. **INTERESTED PERSON**
Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. **FINANCIAL INTEREST**
A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,

- Required for all members of the Board of Directors
- Retained with all non-profit documents
- Orlando Chapter COI includes
 - Art I – Purpose, Art II – Definitions, Art III – Procedures, Art IV – Records of Proceedings, Art V – Compensation, Art VI – Annual Statements, Art VII – Periodic Reviews, Art VIII – Use of Outside Experts

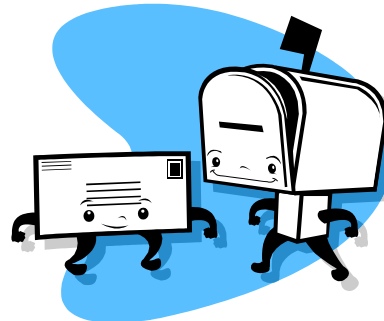
Signed annually



USNAAA Chapter & Parents' Clubs

STEP 6: Establish Contact Information

- If not already done, establish
 - An official mail – USPS – address (Orlando is President's)
 - A website address (<http://orlando.usnachapters.com/>)
 - An e-mail address (Orlando's is the President's; also have usnaorlando@gmail.com)
- The USPS address must be a street address.
- PO Boxes will not be accepted by the government.



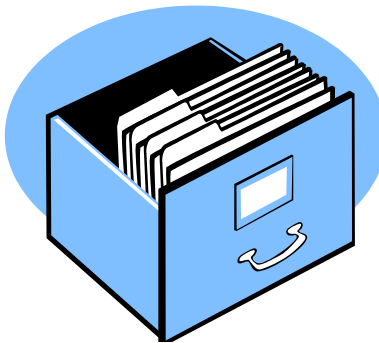
Contact: kirk.michealson@1979.usna.com



USNAAA Chapter & Parents' Clubs

STEP 7: Create a File Center

- Store all legal status documents and all the follow-up documents with your financial records.
- The Orlando Chapter retains a copy of all significant legal documents at two different locations (two board members' homes: Treasurer & President).
- Any arrangement with proper safety / security considerations which works for you should suffice.



The Chapter Treasurer is the primary “owner” of our non-profit documents.



USNAAA Chapter & Parents' Clubs

STEP 8: Preparations for Filing

- Documents needed
 - Board Minutes with the non-profit vote
 - Conflict of Interest declarations
 - List of Board Members (titles, home addresses)
 - Articles of Incorporation
- Designate a Registered Agent
 - Individual designated to perform the filing

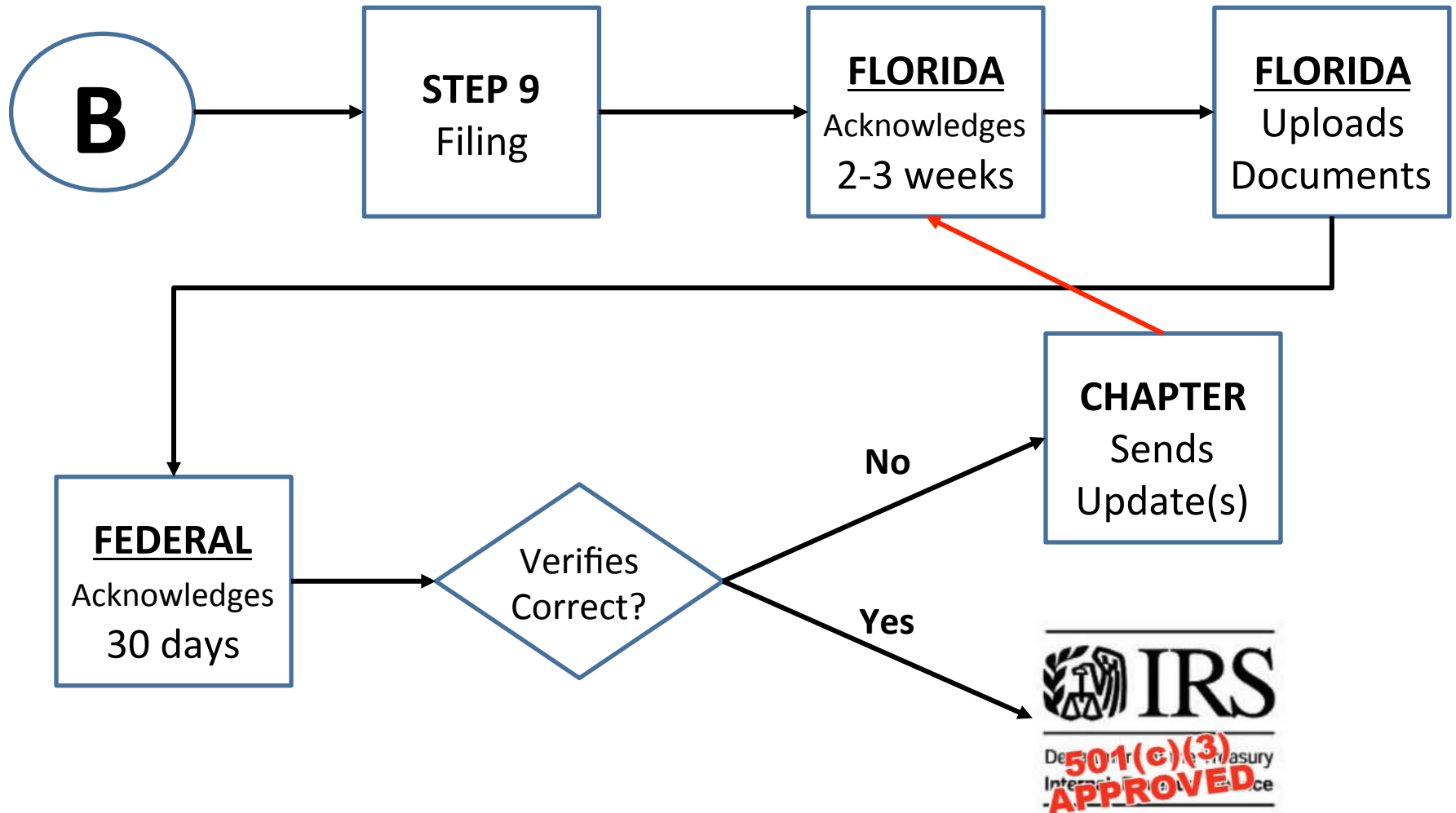


***For the Orlando Chapter,
the treasurer is the registered agent.***



USNAAA Chapter & Parents' Clubs

Process Flow: Actual Filing





USNAAA Chapter & Parents' Clubs

STEP 9: Filing

- File for state corporation name
 - In Step 2, you checked for name availability
 - Filing fees to become a non-profit (FL: \$70 + \$8.75)
 - Need name, location, mailing address, purpose, officer's names and addresses, and registered agent
- Employee Identification Number & Corporate Bank Account
 - Obtain an Employee Identification Number (EIN)
 - In Florida, there are banks that grant "no fees" accounts for non-profits
- Filing Federally
 - Federal filing needs EIN, corporate bank account & approved state corporation name; File federally with form F 1023



30 days for acknowledgement of receipt of forms



USNAAA Chapter & Parents' Clubs

Current Letters

- 501(c)(3) Orlando Chapter non-profit exemption letters
 - State of Florida
 - IRS National: <http://orlando.usnachapters.com/images/IRS.pdf>



USNA ALUMNI ASSOCIATION

Chapters and Parents' Clubs

Any Questions?

Kirk Michealson

USN Class of '79

kirk.michealson@1979.usna.com

(407)375-3440