

Paul Hoyt's "Office Hours" Series



THE **Awakened** CEO System

Office Hours

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Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

www.YouTube.com/user/PaulHoyt

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The Reasons

- Being a successful small business owner can be a great experience!
- It's tough - you need Education, Training, Tools, and Team to be successful
- We want you to get to know us

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The Reasons

- First and most importantly, we want you to know that we care about you.
- We want you to succeed in every area of your life, whatever that means to you.
- We want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.



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Our Passion

To increase the survival rate...

Accelerate the growth rate...

And reduce the struggle rate
of businesses in America

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Our Vision...

To help millions of CEOs and
Entrepreneurs accelerate their business
growth and enjoy greater harmony and
balance in their lives

Please Pass the Word!

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Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching

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Join Us!

- The Awakened CEO Communities on both LinkedIn and Facebook
- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook

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During the Call...

- Make comments, ask questions, share insights and “takeaways”
- Goal: 20 comments and likes in Facebook group

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THE **Awakened** CEO Conversation

- An Interactive Webinar, with a special guest
- Wednesday, August 26th, 6pm PST
- Watch your emails for signup information

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Today's Topic:

To Be or Not To Be Taxed: A Non-Profit Primer

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The Key Performance Areas



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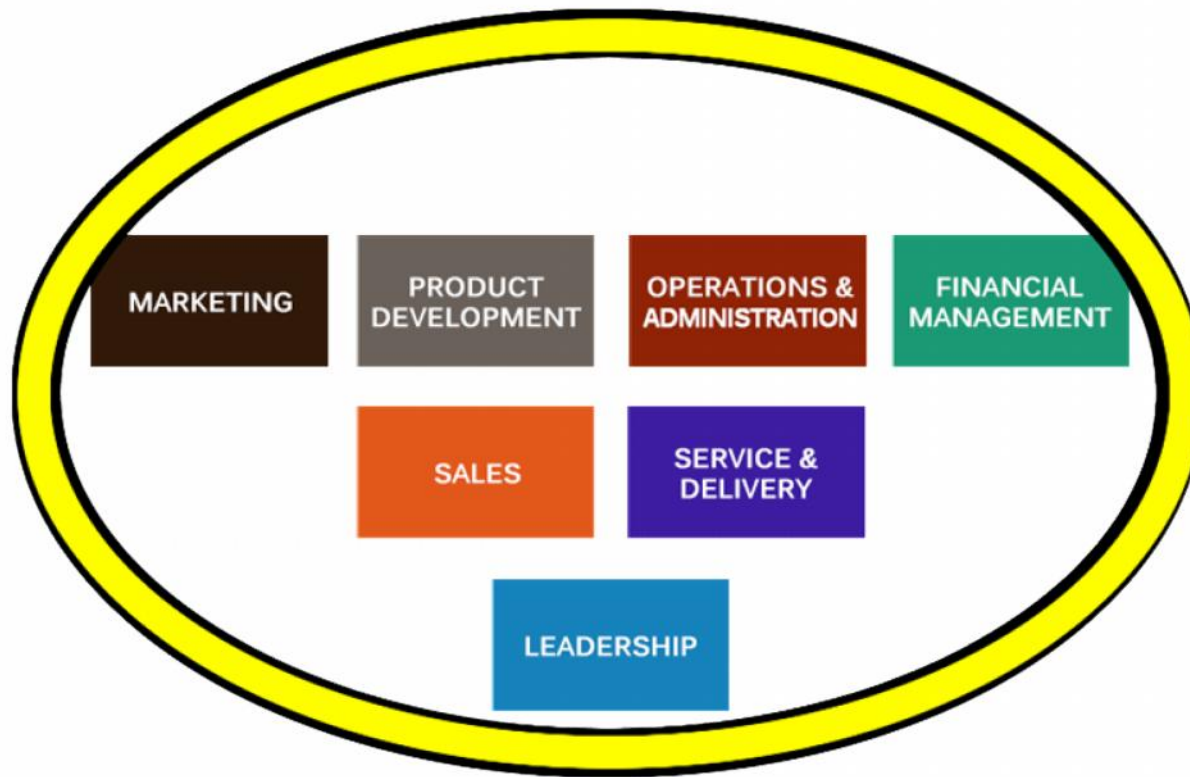
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The Key Performance Areas



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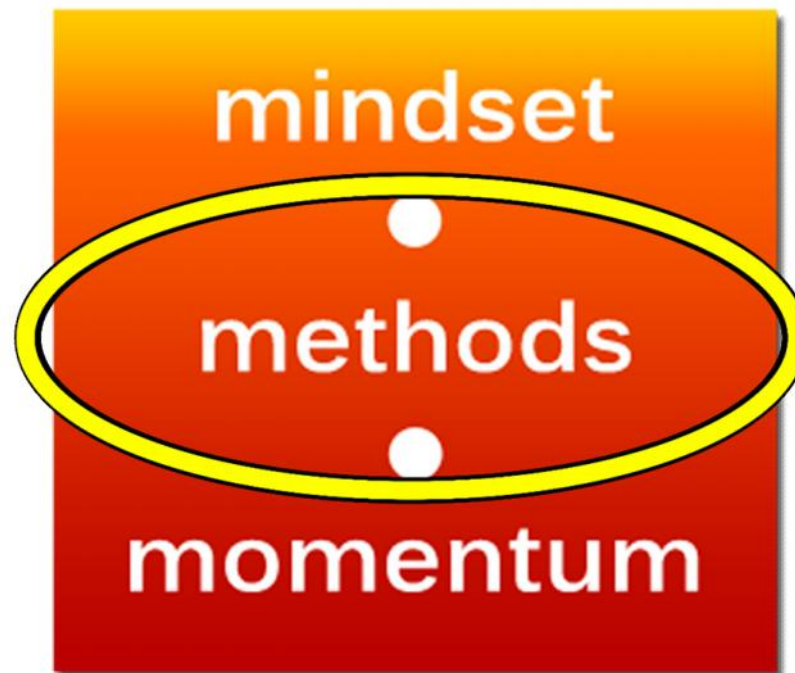
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Agenda

- For Profits vs. Non-Profits
- The IRS Rules and definitions
- The Types of Non-Profits
- Challenges
- For-Profit and Non-Profit Relationships
- B Corps
- Considerations on starting a Non-Profit
- The Bottom Line

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Differences between For Profits and Non-Profits

- For Profits are owned by founders, investors, and other shareholders
- Non-Profits are owned by no one and everyone
- Non-Profits have stakeholders, not shareholders
- For Profits pay taxes
- Non-Profits are tax exempt, but contributions may not be deductible



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Definition of a Non-Profit

- “An organization that uses its surplus revenues to further achieve its purpose or mission, rather than distributing its surplus income to the organization's directors (or equivalents) as profit or dividends.”

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The IRS Rules

- “To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual.

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The IRS Rules

- In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

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The IRS Rules

- Organizations described in section 501(c)(3) are commonly referred to as charitable organizations. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.”

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Important Concepts

- Organization
- Limitations
- Assets
- Exempt Purposes
- Charitable Purposes

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Important Concepts

- **Organized:** a corporation (or unincorporated association), community chest, fund, or foundation. An individual will not qualify.

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Important Concepts

- **Limitations:** The organizing documents must limit the organization's purposes to exempt purposes in section 501(c)(3) and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that are not in furtherance of one or more of those purposes.

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Important Concepts

- **Assets:** In addition, an organization's assets must be permanently dedicated to an exempt purpose. This means that if an organization dissolves, its assets must be distributed for an exempt purpose, to the federal government, or to a state or local government for a public purpose



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Important Concepts

- **Exempt Purposes:** charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.

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Important Concepts

- **Charitable:** relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.



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Types of Non-Profits

- There are 34 of them that I could find!
- I suspect there are more

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(1)	Corporations Organized under Act of Congress (including Federal Credit Unions)	Yes
501(c)(2)	Title Holding Corporation For Exempt Organization	No
501(c)(3)	Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations	Yes
501(c)(4)	Civic Leagues, Social Welfare Organizations, and Local Associations of Employees	No, generally*
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	No

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(6)	Business Leagues, Chambers of Commerce, Real Estate Boards, etc.	No
501(c)(7)	Social and Recreational Clubs	No
501(c)(8)	Fraternal Beneficiary Societies and Associations	Yes
501(c)(9)	Voluntary Employees Beneficiary Associations	No
501(c)(10)	Domestic Fraternal Societies and Associations	Yes

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(11)	Teachers' Retirement Fund Associations	No
501(c)(12)	Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	No
501(c)(13)	Cemetery Companies	Yes
501(c)(14)	State-Chartered Credit Unions, Mutual Reserve Funds	No
501(c)(15)	Mutual Insurance Companies or Associations	No

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(16)	Cooperative Organizations to Finance Crop Operations	No
501(c)(17)	Supplemental Unemployment Benefit Trusts	No
501(c)(18)	Employee Funded Pension Trust (created before June 25, 1959)	No
501(c)(19)	Post or Organization of Past or Present Members of the Armed Forces	No, generally*
501(c)(20)	Group Legal Services Plan Organizations	?

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(21)	Black Lung Benefit Trusts	No
501(c)(22)	Withdrawal Liability Payment Fund	No
501(c)(23)	Veterans' Organization (created before 1880)	No, generally*
501(c)(24)	Section 4049 ERISA Trusts	?
501(c)(25)	Title Holding Corporations or Trusts with Multiple Parent Corporations	No

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(c)(26)	State-Sponsored Organization Providing Health Coverage for High-Risk Individuals	No
501(c)(27)	State-Sponsored Workers' Compensation Reinsurance Organization	No
501(c)(28)	National Railroad Retirement Investment Trust	No
501(c)(29)	CO-OP health insurance issuers	No

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Types of Non-Profits

Type	Description	Contributions Deductible?
501(d)	Religious and Apostolic Associations (Communal Living)	?
501(e)	Cooperative Hospital Service Organizations	?
501(f)	Cooperative Service Organizations of Operating Educational Organizations	?
501(k)	Child Care Organizations	?
521(a)	Farmers' Cooperative Associations	?

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Challenges

- Funding. Non-Profits often rely on external sources, especially grants from year to year
- Board members and volunteers
- Founders syndrome
- Generally pay less than For Profits, but not always
- Unrelated Business Income
- Political affiliations



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Non-Profit and For Profit Relationships

- Used to be very arm's length
- Joint ventures and marketing partnerships are more common (e.g., Cause Marketing)
- Non-Profit benefits from increased exposure, services, and donations
- For Profit benefits from improved image, greater loyalty from customers and employees



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Non-Profit and For Profit Challenges

- Common management
- Business transactions between the two, especially sole source relationships
- Non-Profit ownership of a For Profit enterprise

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Non-Profit / For Profit Guidelines

- Focus on the strategic fit between the two
- Make sure the charter of the non-profit is upheld
- Limit the transactions between the ventures
- Limit common management
- Be in integrity and open about the relationship. Be “above-board”.



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B Corps

- For Profits certified by the Non-Profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.
- Using the business as a force for good.
- No tax exempt status.
- Cant' be a public company.

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B Corps

- A B-Corp is a mission driven company instead of one driven to increase shareholder value
- Has legal protection from investor lawsuits in 28 states (as of October 2014)
- Could be for entrepreneurs who want to raise capital, but don't want to risk the mission of the business.



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Considerations on Starting

- Motivation: charity or job?
- Differentiation from other Non Profits
- Funding
- The first board of directors and the volunteers
- Applications and ongoing administrative requirements

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The Bottom Line

- Study Non-Profits before deciding to start one
- Support an existing Non-Profit before starting your own
- Avoid business transactions with a Non-Profit you start, or in some way manage
- You can do a lot of good by supporting Non-Profits with your time and your money



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Homework

- If you are a For Profit, find a Non-Profit you can support
- If you are a Non-Profit, find a For Profit you can work with
- Get legal, consulting, and coaching support every step of the way

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Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

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Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X		
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X



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Next Office Hours: Aug 24th

- Topic is: TBD
- Let me know what topics you would like for me to address: www.PaulsSurvey.com
- Do your homework!

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Open Q & A and Coaching

- Comments & questions on the topic of the day, then any other issues
- Contact Me at paul@paulhoyt.com
call or text: 415.997.8001
- www.SchedulePaul.com

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