

NONPROFIT and FUNDRAISING COMPLIANCE

What does it take to be compliant?

Presented by:
Sharon Cody, J.D.

Introduction To Harbor Compliance



Harbor Compliance provides services and software to help executive teams and boards manage compliance. We have a proven track record of success in all stages and aspects of charitable solicitation compliance including registrations, exemptions, extensions, renewals, corporate qualifications, and registered agents.



YOUR PRESENTER

Sharon Cody, J.D.
Nonprofit Partnership Manager

717-431-9162 (direct)
scody@harborcompliance.com

Harbor Compliance is not an accounting or legal firm and does not provide tax, financial, or legal advice.

What Will We Cover?

Entity Management

- Secretary of state registrations
- Registered agent service
- Annual reports

Tax Management

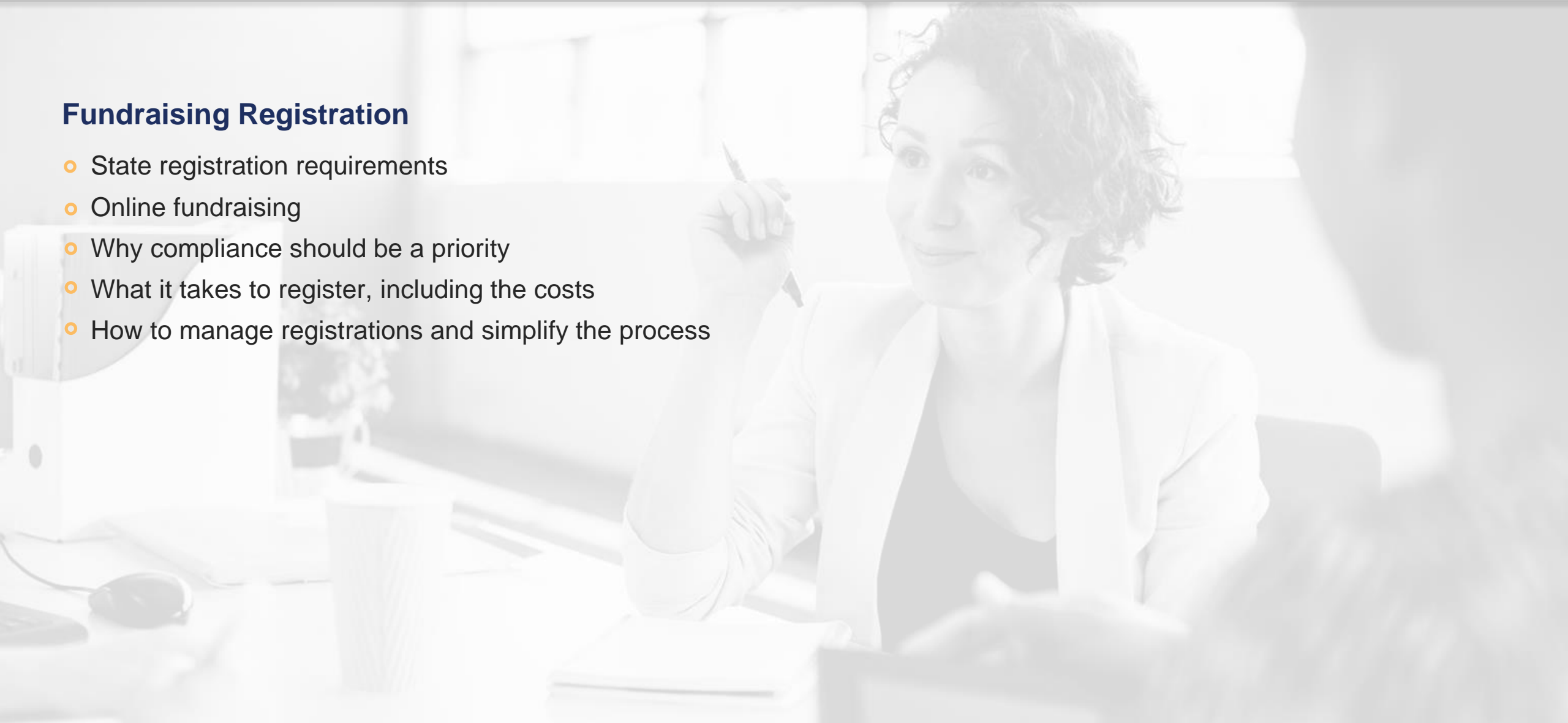
- Tax registrations
- Exemptions
- Returns



We'll Also Cover:

Fundraising Registration

- State registration requirements
- Online fundraising
- Why compliance should be a priority
- What it takes to register, including the costs
- How to manage registrations and simplify the process



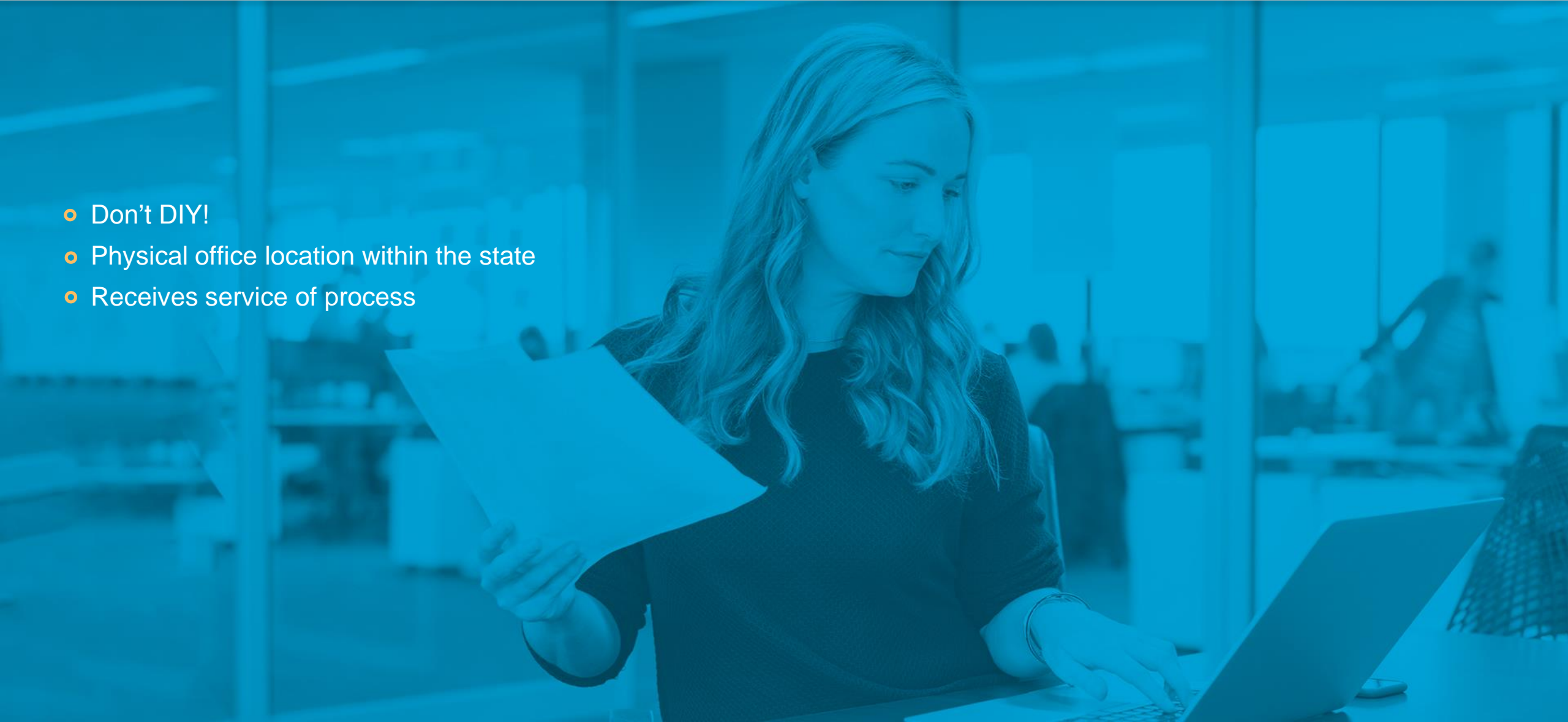
A blue-tinted background image showing several people in business attire working at desks with papers and pens.

States need basic information about organizations working within their borders

- Formation
- Foreign Qualification

Registered Agent

- Don't DIY!
- Physical office location within the state
- Receives service of process



Annual Reports

- Aren't necessarily annual!
- Deadlines are all over the map
- Use software to track your due dates

HARBOR COMPLIANCE® **ANNUAL REPORTS: THE ULTIMATE GUIDE**
Everything you need to know to file on time, every time

JUMP TO A STATE:
Alabama Alaska Arizona Arkansas California Colorado Connecticut Delaware District of Columbia Florida Georgia Hawaii Idaho Illinois Indiana Iowa Kansas Kentucky Louisiana Maine Maryland Massachusetts Michigan Minnesota Mississippi Missouri Montana Nebraska Nevada New Hampshire New Jersey New Mexico New York North Carolina North Dakota Ohio Oklahoma Oregon Pennsylvania Rhode Island South Carolina South Dakota Tennessee Texas Utah Vermont Virginia Washington West Virginia Wisconsin Wyoming

Alabama			
ENTITY	DOMESTIC OR FOREIGN	DEADLINES AND FEES	PENALTIES AND STATUTES
Corporation		Not Required	
Nonprofit Corporation		Not Required	
Limited Liability Company		Not Required	

Alaska			
ENTITY	DOMESTIC OR FOREIGN	DEADLINES AND FEES	PENALTIES AND STATUTES
Corporation	Domestic	Due: January 2nd. If you initially filed/registered in an even numbered year the Biennial Report will be due in January of every even numbered year. If you initially filed in an odd numbered year the Biennial Report will be due in January of every odd numbered year. You can start filing 3 months prior. Fee: \$100	Penalty: Starting February 1. Late fee for a domestic corporation is \$37.50. Law: Alaska Stat. § 10.06.011
	Foreign	Due: January 2nd. If you initially filed/registered in an even numbered year the Biennial Report will be due in January of every even numbered year. If you initially filed in an odd numbered year the Biennial Report will be due in January of every odd numbered year. You can start filing 3 months prior. Fee: \$200	Penalty: Starting February 1. Late fee for a foreign corporation is \$47.50. Law: Alaska Stat. § 10.06.011

Annual report is required Annual report is not required Page 1/39

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Annual report is required Annual report is not required Page 3/39

Tax Registrations, Exemptions, and Returns



- IRS Form 990 / Federal income tax
- State income tax
- Payroll taxes
- Sales & Use taxes
- Local taxes

Other Business Licenses

- General business licenses
- Occupancy permits
- Other local licenses



Establish and maintain good standing:

File annual reports
on time

Maintain accurate records
with state authorities

Maintain registered
agent service

Stay current on
taxes and filings

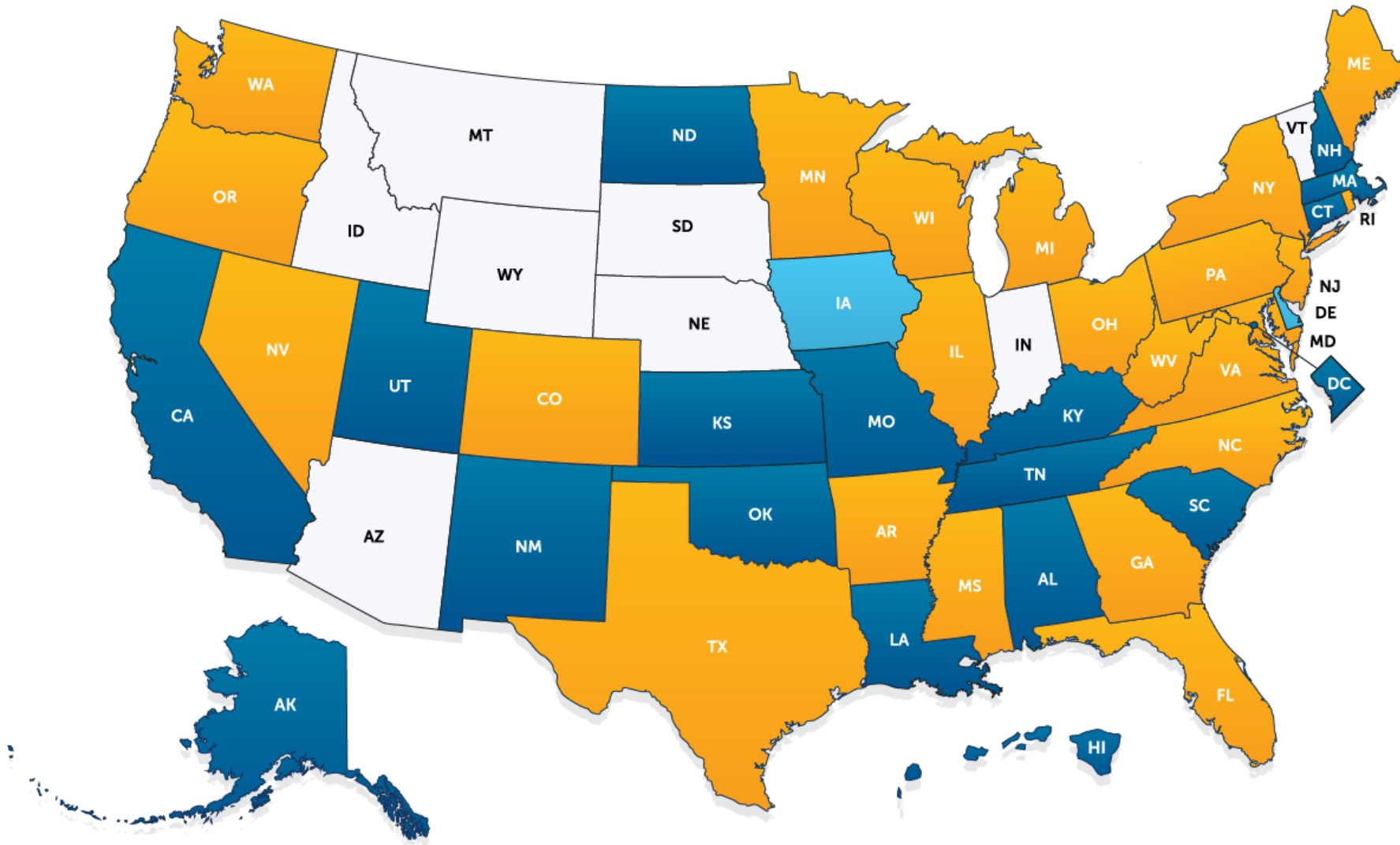


From the Internal Revenue Service

Many states have laws regulating the solicitation of funds for charitable purposes. These statutes generally require organizations to register with a state agency before soliciting the state's residents for contributions, providing exemptions from registration for certain categories of organizations. In addition, organizations may be required to file periodic financial reports. State laws may impose additional requirements on fundraising activity involving paid solicitors and fundraising counsel.

State Charitable Solicitation Requirements




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41 Require charitable solicitation registration

25 Require a disclosure statement

STATE REQUIREMENTS

-  Charitable solicitation registration and disclosure statement
-  Charitable solicitation registration
-  Disclosure statement

Do These Requirements Apply To Us?

Solicitation = Asking for donations

Common forms of solicitation:

- Fundraising events
- Direct mail
- Phone calls

Solicitation Also Includes

Other forms of solicitation:

- Applying for grants
- Collecting membership dues
- Fundraising through the Web
- Radio and TV ads
- Auctions, Bingo, games of chance

Special requirements may apply to:

- Professional fundraisers
- Fundraising counsel
- Commercial co-ventures



IRS Form 990 and Charitable Registrations



Information from Form 990 is needed for charitable registrations and renewals.

Be prepared and plan ahead!

- May 15
- November 15



24 states require audited financial statements to be included with registrations.

A blue-tinted background image showing several people in business attire. In the foreground, a person is writing on a document with a pen. Other people are visible in the background, some looking at documents or devices.

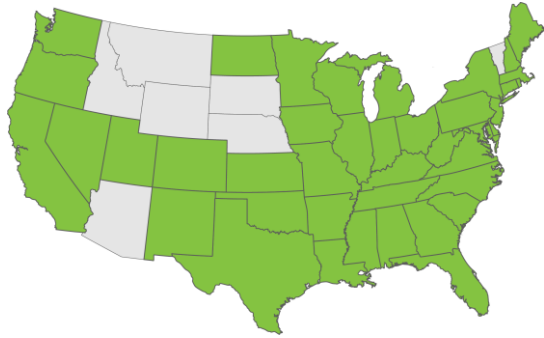
25 states require charities to include specific disclosure language in solicitations.

Online Fundraising

Ways to solicit online:



Two Practical Approaches to Online Fundraising



1

Register or file an
exemption in all 41 states

OR



2

Don't accept online
contributions from states in
which you're not registered

Where Do We Need to Register?

Solicitation is the key

- Review solicitation in each of the 41 states
- Compliance may mean filing registrations or exemptions

Why Compliance Should Be a Priority



Most Common Enforcement Areas by State Charity Regulators

- Fundraising abuses
- Trust enforcement
- Governance

Source: "State Regulation and Enforcement in the Charitable Sector," Urban Institute and Columbia Law School, September 2016. Web.

Risks and Consequences of Failing to Register

- State fines and penalties
- Bad PR and embarrassment
- Loss of state recognition of tax exemption
- Revocation of right to solicit
- Enforcement actions and audits
- Liability for officers and directors
- Missed grant and donation opportunities

Proactive Registration Avoids Penalties



State Responses to Registration Gaps

Corresponding with nonprofits is the most common response to violations, followed by settlements and informal resolutions.

A blurred background image of a classroom with students at desks. Overlaid on this image is the text 'Proactive registration is the ideal option!' in a blue, handwritten-style font.

Proactive registration
is the ideal option!

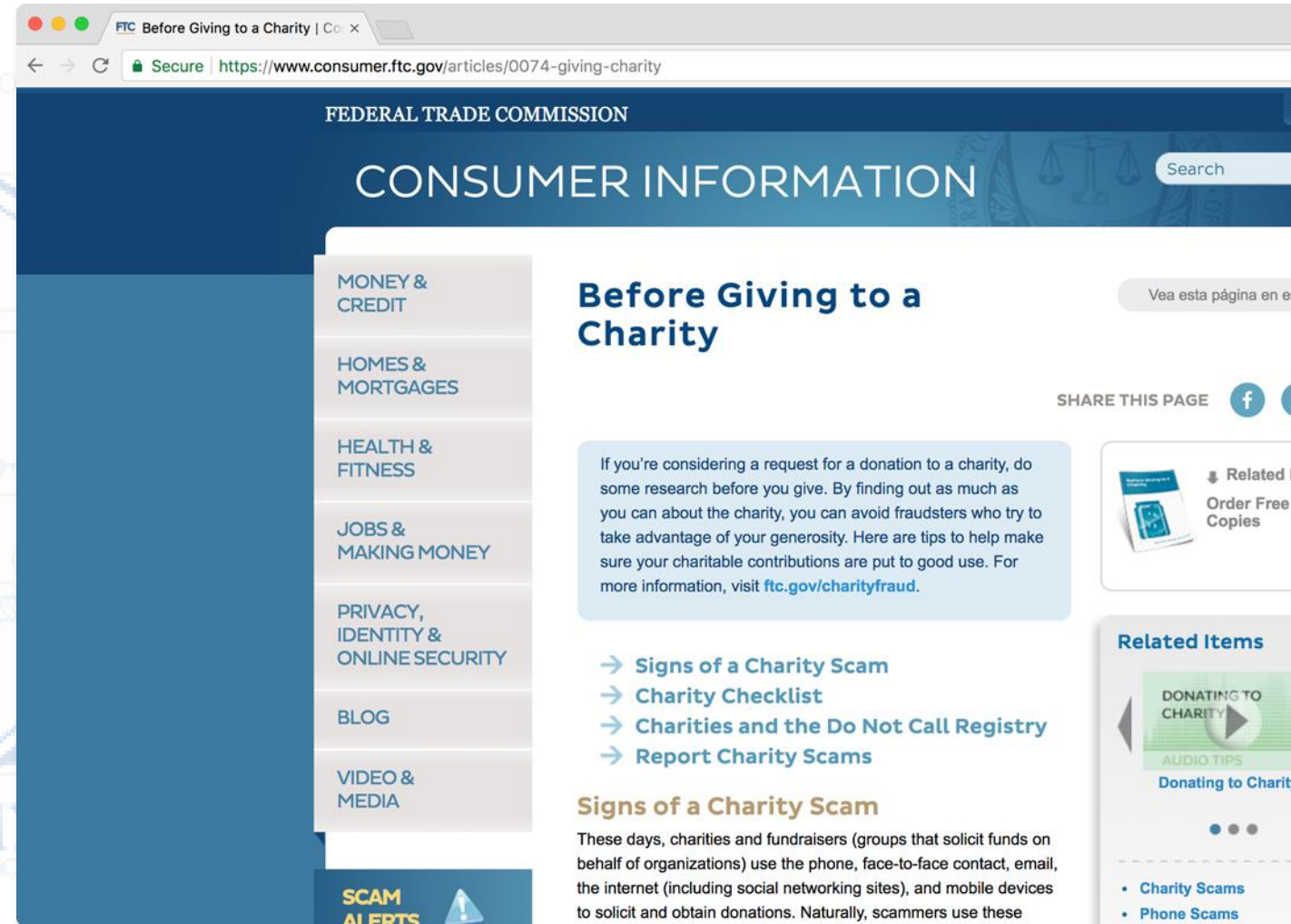
Source: "State Regulation and Enforcement in the Charitable Sector," Urban Institute and Columbia Law School, September 2016. Web.

Consumers Are Researching Before Donating

From the Federal Trade Commission's website:

“Before Giving to a Charity . . .

Find out if the charity or fundraiser must be registered in your state by contacting the National Association of State Charity Officials.”



Regulators Are Researching Online, Too

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92 percent

of regulators indicated that they conduct Internet research on nonprofits regularly.

Source: "State Regulation and Enforcement in the Charitable Sector," Urban Institute and Columbia Law School, September 2016. Web.

Compliance Is a Nonprofit Best Practice

A blue-tinted photograph of four people in a meeting. A man in a white shirt and tie is on the left, looking towards the center. A woman with short grey hair and a patterned scarf is in the center, gesturing with her right hand. Another woman is on the right, looking towards the center. A fourth person is partially visible in the background. They are sitting around a table with papers and a smartphone.

Communicate

to your leadership teams why compliance should be a priority.

Board Members

- Responsible for nonprofit governance
- Champions of your fundraising efforts
- Ambassadors of your brand

What Does It Take to Register?

1 Research

- Registration status
- Application forms, fees, and supporting documents
- Other state pre-requisites

2 Apply

- Mail, fax, and online applications

3 Monitor

- Process times vary from a week to several months
- Follow up with states to ensure approval

4 Renew

- Track renewal dates
- File renewal applications
- Stay current with legislative changes

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What Does It Cost?

State fees

to register nationally come to \$1,400 to \$5,000 for most organizations.

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TAKE ACTION!

Review how your leadership teams handle compliance. If you haven't registered, discuss plans for becoming compliant.

What Does It Take to Manage Compliance?



**Time to manage
renewals**



**Files for copies of licenses
and applications**



**Spreadsheet of registration
numbers, statues, due dates**



**Calendar system for
deadlines and reminders**



**Time to prepare disclosure
statements**



**Research to track legislative and
administrative changes**

- ✓ Fully manage each step of the process
- ✓ Tracking software for reporting
- ✓ Flat-rate pricing per state
- ✓ Expert team with a dedicated Compliance Specialist

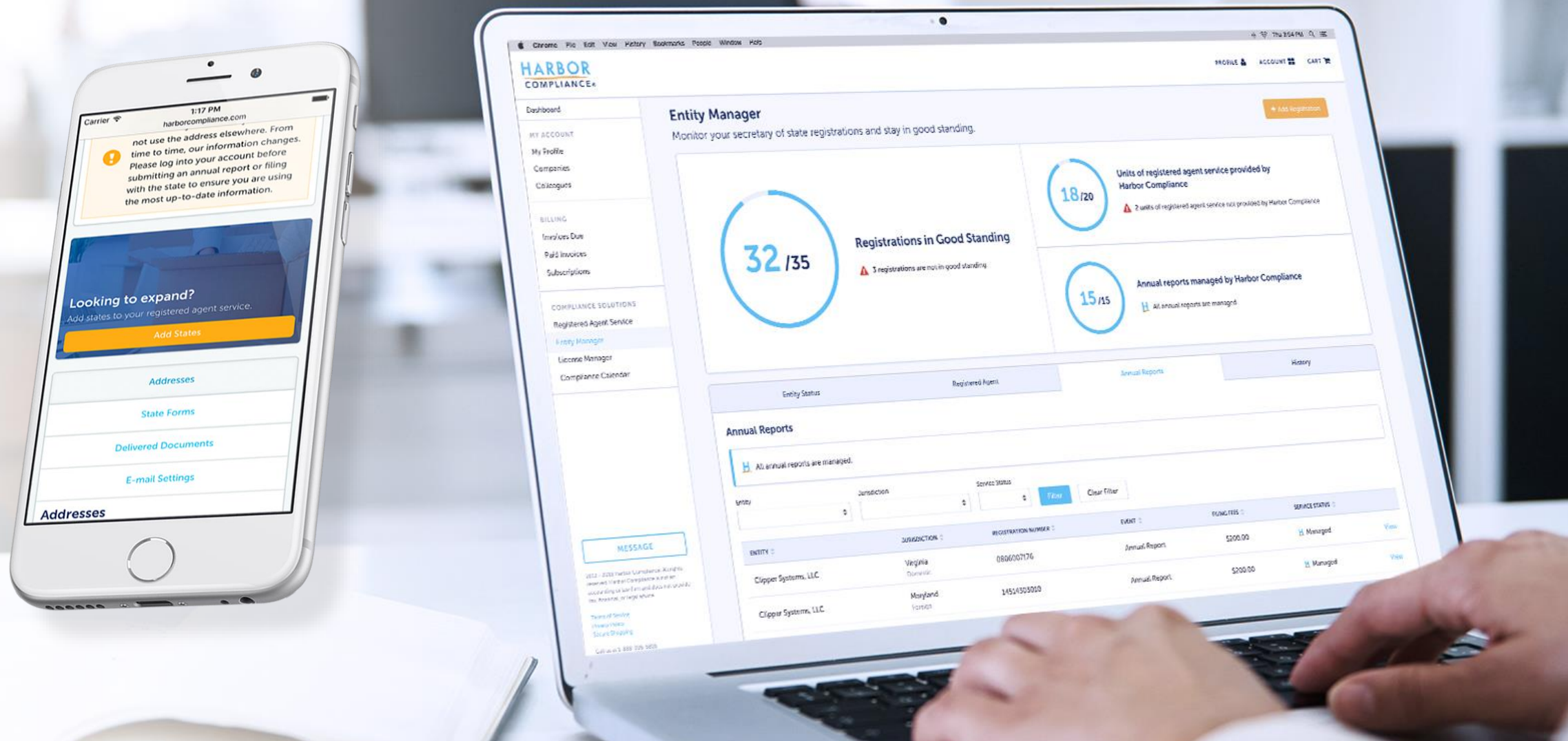


TAKE ACTION!

Reach out to us to discuss how we can partner with your organization!

Compliance Software Makes It Easy

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Partner With Harbor Compliance

COMPLIANCE®

- ✓ Nationwide registered agent service



- ✓ Specialized access permissions for accountants
- ✓ Nonprofit lifecycle and industry licensing services
- ✓ Content, referral, and custom partnerships



Compliance is a team effort!

Conduct an annual compliance check.

Share resources with your board and staff!

Questions & Answers



Next Step:

Contact us!

Contact me by email to schedule a time to speak or send additional questions to

Sharon Cody, J.D.

Nonprofit Partnership Manager

scody@harborcompliance.com

