

Non-Profit Management

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Non-profit governance and administrative systems require routine updating as organizations evolve. This workshop is designed to help organizers of any committee—old or new—strengthen their administrative platform. Topics that we plan to cover include: the pluses and minuses of incorporating and registering as a non-profit; the steps that a group must take to incorporate and/or register as a non-profit; and the roles that bylaws and articles of incorporation play to define the organization's purpose and how the organization is governed. This workshop will be particularly helpful to groups that are not formalized as incorporated non-profits who are thinking about taking these steps, or for members of formalized committees who want to better understand governance systems. We'll share some decisions that were addressed at our dances to generate discussion, clarify how CDSS is prepared to assist, and open up the floor to any governance/administrative issues that you might be tackling in your own dance community.

Introduction:

First, identify! Are you:

- Non-profit? (i.e., tax exempt: in Canada, this might mean a “non profit” or “charitable” organization)
- Unincorporated club?
- Don't know?
- For-profit?
- Incorporated?
- Don't know?

The workshop explored the pros and cons of tax-exempt status and incorporation, as well as looking at different ways that organizations can be governed.

Non-Profit Status

The terms “non-profit” and “not for profit” are equivalent. These are organizations not owned by one person, whose purpose is for some sort of public good, rather than for accumulation of profits. Getting non-profit status affects your tax status and therefore requires paperwork. In the U.S. “non-profit” organizations and “charitable” organizations are synonymous. In Canada, more paperwork is required for charitable status. This can be applied for at either the federal or provincial level, and greater tax benefits accrue. Also in Canada, you can be considered a non-profit or a charity, but not both. Arts organizations can qualify for either status if they have an educational or community orientation.

For groups in the U.S., CDSS can offer its affiliates non-profit (501 c 3) status as part of a group exemption, allowable by the IRS.

Should you become a non-profit or charity?

Pros

- Tax exempt status: those who donate money to your organization can get a tax deduction for doing so (note: admission to dances is considered “fee for service,” not a donation, but donations over and above such fees can count)
- Increased ability to fundraise/write grants: for-profit organizations are not permitted to solicit money from the public, and many grant providers offer grants only to non-profits.
- Other organizations (such as churches, schools, etc.) often charge lower rates to those who have non-profit or charitable status

Cons

- Application requires time, effort and money
- Detailed paperwork required to maintain status
- You become subject to a variety of laws and regulations that, among other things, can reduce individual control.
- Greater public scrutiny of your organization

Whatever the pros and cons, non-profit status is an important way to present ourselves and our activities to the world. What we do is part of arts, culture and education. We contribute to communities’ well being and economic development. A non-profit status recognizes these important features of participatory tradition-based arts.

Also, the world of non-profits has a large body of good practices we can learn from and use to support our activities.

Incorporation

Incorporation is a legal process that defines your organization as a distinct legal entity (a “corporation”), separate from its owners, for the purposes of taxes, legal liability, etc. Both for profit and non-profit corporations exist. Should you incorporate?

Pros

- Incorporation elevates your mission, which becomes formally recognized as having greater importance than any individual’s interest
- Reduces personal risk for founders, directors, members, and employees, who are not personally liable for the organization’s debts. (Not a protection for illegal or irresponsible behavior.)
- Simplifies banking. Your organization cannot legally have its own bank account

Cons

- More paperwork hassle. If your organization has an existing non-profit status and you now wish to be a non-profit corporation, you must start all over. The process can be complex and varies state to state in the U.S., and so it is important to obtain legal advice, which can be expensive.
- (Note that Canada is in the midst of standardizing its process for incorporation.)

without incorporation. (This law became stricter as a result of 9/11.)

Some groups do not consciously choose, but drift into one or another scenario. Some groups get the benefits of incorporation and avoid the associated time and effort by being sponsored by a larger organization, and may accept having less local control as a trade off. If you don't run many events, it might not be worth your while to pursue incorporation. Note that you do not need to be incorporated to be insured.

Real-life Examples

Burlington, VT. Burlington had operated for years as an unincorporated non-profit. Eventually, however, changes in the banking system caught up to them and they found that they could no longer cash checks written to the dance organization because they were unincorporated. In response they chose to incorporate. The process took months and involved starting from scratch, obtaining a new tax number rewriting bylaws, and opening a new bank account. They felt that the change clarified their structure, reduced the risk to Board members in the event of a lawsuit, and allowed them to cash checks.

The group had a fruitful discussion about different organizational structures as ways to construct bylaws, and possible merits and drawbacks to these.

Ottawa, ON. Ottawa's organization began over thirty years ago as a group of people that ran concerts. They incorporated to provide greater structure and to protect themselves from liability. They have occasionally discussed becoming a charity, but have not reached a tipping point where that would be worthwhile.

In Canada, if you have non-profit status, you can still obtain grants from businesses, municipalities, etc. Individuals can donate money as well, but they cannot gain any tax advantage by doing so. Becoming a charity would allow for that, but the Ottawa group has not felt like it would make enough difference to them to be worth the associated paperwork demands. As a non-profit they would have to file a tax information form if requested, but this rarely happens. They would only have to file regularly if they had assets of over \$300,000.

Some Concluding Thoughts

Be aware of your organizational responsibilities and risks and seek to mitigate the risks where possible. Start by being sure you know whether or not your organization is incorporated, and whether or not you have non-profit or charitable status. It's important to review bylaws regularly and update if needed. Bylaws should outline how people will work together and how decisions are made. There are state and provincial organizations that can advise you about changes in law. Other useful resources are attached.