



## **Making Contributions deductible before 501(c)3 Certification**

Starting a non-profit will require capital to start operations and cover initial expenses, such as licensing, renting a property, and professional fees where assistance from a consultant is required.

Raising funds to enable you to start the nonprofit is the critical path of the plan to start a nonprofit, unfortunately, it can take some time to gather all the information required to file form 1023 or 1023EZ with the IRS, and to get there you will need funds.

Some of the documentation that you need includes community assessment and feasibility analysis, a business plan, bylaws for the nonprofit and for the board, start recruiting board members, create a budget, and determine if you will have employees, volunteers, or a combination and then create a manual to guide the entity and its people through the operation of the agency. All good things, but you will need funds to start the process and to begin operations.

An established nonprofit can act as the fiscal agent for the establishing nonprofit. In this partnership, the established nonprofit allows the establishing nonprofit to use their tax ID number or EIN. In exchange, the establishing nonprofit agrees to follow the established nonprofit's financial protocols, prepares monthly reports for the established nonprofit's executive team and board on programs and progress while applying for their own tax exemption.

The established nonprofit typically takes a small administrative fee for the oversight of the funds and operations.

All monies collected, grants and/or donations, are kept in the established nonprofit's bank account. This money is represented by a line item on the monthly financial reports, which the establishing nonprofit should receive a monthly copy of and a full report of how funds are being used. The establishing nonprofit submits all invoices to the established nonprofit who renders payment.

This partnership allows the establishing nonprofit to apply for grants and to receive donations that are in turn tax deductible.

This is legal and a highly used practice.

We recommend a highly detailed Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) between the two nonprofits.