

Below is a set of guidance questions for potential Quest for the Best clients who are considering creating a Pennsylvania nonprofit corporation with the intention of receiving tax-exempt status. We are excited that you have a desire to help others, and our goal is to assist clients to create sustainable organizations. Organizations that are well considered will have a better chance for success. Our guidance questions include:

**I. Can you create a tax-exempt organization?**

1. Are you “of age”? In Pennsylvania, in order to create a nonprofit corporation, you must be “of age”, or at least eighteen years old. In the course of running a business, organizations enter into many contractual relationships, and persons under 18 years of age are not able to enter into binding contracts.
2. Does what you plan to do fall within the restrictions of the exempt purposes listed in the Internal Revenue Code?

In order to be recognized as a tax-exempt organization 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.

**Exempt purposes:** The exempt purposes set forth in Internal Revenue Code section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the prevention of cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of 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.

**Private inurement:** A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator’s family, shareholders of the organization, other designated individuals, or persons controlled directly by or indirectly by such private interests.

**II. What is your nonprofit going to do? Why are you starting this nonprofit?**

1. What is your mission?
2. What work will the nonprofit do day-to-day, or how will you accomplish the mission? What are the programs that you will run?
3. How will you measure the success of the organization?
4. What restrictions will you face? Will you need any specific licenses and certifications?
5. Do you understand that nonprofits are not owned by anyone?

**III. Who is going to benefit?**

1. How will you find the people that you will serve?

#### **IV. Who is going to complete the work of your nonprofit?**

1. Do you have board members? Are the board members aware of their legal responsibilities?
2. Do you have officers?
3. Will you have employees? How will you pay them? Do you have an understanding of tax compliance requirements of paying employees?
4. Do you have volunteers?
5. Are you prepared to hire an accountant to provide tax guidance?
6. Are you prepared to contact an insurance broker to provide insurance guidance?
7. Are you prepared to stay informed with compliance issues involved with a tax-exempt organization?

#### **V. Where will it happen?**

1. Have you done any research to determine if your idea is needed in your location? In the United States there are over 1.5 million tax-exempt organizations (National Center for Charitable Statistics), therefore, are you sure your organization is necessary?
2. Why do you think there will be public support for your mission?
3. Are you competing with other nonprofits in your area who are working to address the same issue as you? How will your organization be different? Why is your organization needed if others are doing this work already?
4. Have you considered partnering with another local organization to share resources?

#### **VI. How will you make it happen?**

1. Will you hire employees?
2. Do you have a group of volunteers who are willing to volunteer their time and talents?
3. How much of a commitment can you make to this organization?

#### **VII. How will you pay for it?**

1. What is your budget for the next three years? How much will it cost to get up and running and to operate? Focus on how much it will cost to do what you really want to do.
  - Will you have to hire employees? What will this cost?
  - Do you need a facility – what will this cost to rent or buy?
  - What supplies and equipment do you need?
  - What are your advertising costs?
  - How much will it cost to keep up with administrative issues and accounting and legal needs?
2. Do you have a business plan? A business plan may be necessary to receive funding, it is important that you create a plan that can be shared with potential donors if requested.

**VIII. Are you sustainable?**

1. Can you generate enough public interest that you will get the support you need to keep the organization going? Is the scope of the mission large enough and specific enough to help you gain board members, major donors, grants, volunteers and/or funding moving forward?
2. Are you aware of the dissolution process if the tax-exempt organization is not sustainable?

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