

the
OREGON
NONPROFIT
CORPORATION
HANDBOOK

Fourth edition



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A Practical Guide for Boards of Directors & Officers of Oregon Nonprofit Corporations (Chapter 13 of the Handbook) is also available. Please call TACS at the number above for more information and for prices.

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TO MY FATHER, DONALD A. CUMFER, WITH LOVE

Thanks, Dad, for your sense of ethics, your faith in me, your kind heart, your good business and common sense, and your hard-headed stubbornness that sees a difficult project through from beginning to end.

CINDY

TO MY MOTHER, CAROL GEORGE SOHL

Thank you for surrounding me with nonprofit organizations, and for sharing your joys and frustrations as a nonprofit executive, a tireless board member, and lifetime civic activist.

KAY

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How to Use this Book

This is a large book. It is unlikely that any group will need ALL the information in this book, so don't be daunted by the size. We have written this book for both beginners and for technical people. If you are new to the nonprofit arena and are using this book to get started, you will find that in many places we tell you sections and chapters you can skip. The parts that you do read are not meant to be read all at once – for instance, it's unlikely that you will need to know how to incorporate and how to dissolve in the same month. (At least we hope not!) Keep this book as your reference book over time.

This book has an improved **INDEX** located at the very end of the book. If you are looking for information on a specific topic, you may want to check the index first. We have learned that preparing an index is one of the great challenges of producing a book of this size. If you don't find the topic you are looking for in the index, you may want to check the **EXPANDED TABLE OF CONTENTS** as well.

There are tear-out **FORMS** near the end of the book. In order to make them more usable, the forms do not have page numbers on them. In the book, we refer to the forms by name and the forms are alphabetized by name so that you can find the form you want more easily. The Forms section does not include forms that you can get from the government on-line. Because these forms change from time to time and are now so accessible, we refer you to the websites where you can obtain them. If you don't have access to the web, you can get copies by contacting the appropriate agency. Appendix 2 provides a list of the agencies and their contact information and web addresses.

If you are a technical person – a lawyer, accountant, or similar professional—we have added a new feature to this book. Appendix 1 contains a list of **SOURCE MATERIALS** that we rely on in each chapter. The Sources section includes citations to statutes, administrative regulations and rulings, cases, generally accepted accounting principles and general reference material to assist you. You may also want to peruse the forms and the more detailed information in the Appendices. We've also included some references in Appendix 1 to materials accessible to and of interest to all readers. We alert you to these materials at the end of each chapter as appropriate.

If you want to obtain additional copies of this book or if you want extra reprints of Chapter 13 to use as a Board of Directors manual, see the **ORDER INFORMATION** on the back of the title page.

Technical Assistance for Community Services, the publisher of this book, is a §501(c)(3) nonprofit organization that is a training and consulting resource for nonprofits. TACS maintains a website at *www.tacs.org*. TACS may from time to time include updated information about matters included in this book. You should check the website.

What's New in this Book

The Fourth Edition adds 140 pages to the Third Edition and contains some exciting additions and updating. Among the most important are these:

- An extensive listing of SOURCES for professionals, including statutes, administrative regulations, cases and accounting standards, and some excellent listings for the general reader in Appendix 1
- More coverage of political activities permissible for §501(c)(3) groups in Chapters 8
- A new chapter, Chapter 26, that contains a greatly expanded discussion of federal and state campaign finance reform, election and lobbying rules as these rules apply to all nonprofit corporations
- A completely revised Chapter 6 with detailed instructions on how to fill out the new application for tax exemption under §501(c)(3) revised in October 2004 (IRS Form 1023)
- More indepth discussion of fraud prevention in Chapter 22
- QuickBook tips for nonprofits in Chapter 23
- Accounting and reporting on administrative and fundraising costs in Chapter 23
- More extensive coverage of indirect cost rates in Chapter 20 and Appendix 17
- A discussion of capacity building and sustainability strategies in Chapter 21
- Information on social enterprises and how nonprofits can earn income while fulfilling their mission in Chapter 21
- Coverage of the new IRS regulations on excess benefit transactions for §501(c)(3) organizations in Chapter 27 with a new sample policy in the Forms section

- A discussion of the new anti-terrorism laws in Chapter 27
- The implications of the Sarbanes-Oxley Act for nonprofits in Chapter 13
- More specific discussion of board duties and policies in Chapter 13 and a new sample Conflicts of Interest policy in the Forms section
- Coverage of new laws on homeowners associations in Appendix 6
- A more in-depth discussion of membership nonprofits in Chapter 14

How to Find an Attorney or an Accountant

“What?” you may be saying, “I bought this book so I wouldn't have to see an accountant or an attorney.” With this book, you may be able to do much of your accounting and legal work yourself. At the least, it will provide you with a lot of information that should cut down on how much time (and money) you have to spend on a professional.

Still, there are a variety of circumstances when you may need to get help:

1. You may have special problems or issues that this book does not address.
2. You should get an accountant's help to get your books set up properly, so that your financial information can be easily conveyed to the forms that are required for nonprofit and tax exempt groups.
3. You should have a professional review your papers before you submit them to the state or federal government to be sure they are correct.
4. You should run any significant decisions you make by a professional to be sure you are doing everything properly.

There are a number of ways to choose an attorney or accountant. Keep in mind that nonprofit law and accounting are quite specialized areas within their fields and most attorneys and accountants know little or nothing about it. Technical Assistance for Community Services (TACS) operates the Nonprofit Organization Information and Referral Helpline (503.233.9240 or 1.888.206.3076), a free service providing referrals to qualified professionals with experience assisting nonprofits. This is probably your best place to start.

If you already know a professional that you feel is competent and trustworthy, you could ask that person if they do nonprofit work or can recommend someone who does. If you don't know an attorney or accountant you feel is good and the Helpline can't help you, ask around among other nonprofit groups to see who they use and like. You may also call the Oregon State Bar-Lawyer Referral Services or the Oregon Society of CPA's and tell them you are looking for an attorney or accountant who does nonprofit work. As a last re-

sort, you could call an attorney or accountant in the phone book, but your odds of finding someone who knows much about nonprofits are probably less than 1 in 100.

Before you actually call an accountant or an attorney, it is a good idea to make a list of questions. These questions might include:

- Are you familiar with nonprofits? How much of your practice is with nonprofits? Have you worked with our type of nonprofit? How long have you been working with nonprofits?

- Are you comfortable with working with a group that wants to do as much of its own work as possible?

- How much will you charge?