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ACTION SHEET: ESTABLISHING THE ORGANIZATIONAL STRUCTURE

While putting on a VegFest can be a lot of fun, there are some preliminary steps that may be necessary to enable your Pod to obtain necessary permits, enter into agreements, obtain funding, and pay expenses. This Action Sheet will help you evaluate if you need to form a legally recognized organization structure, such as a corporation or limited liability company, to be able to put on your event with your intended scope. While some of the suggestions may seem complicated, they can make things work much more smoothly in the long run.

Things to Consider:

- **Scope of Event:** Thoughtful, upfront, and realistic consideration of the event you are planning, including the size of the event, the type of venue, the services, products and speakers that may be involved, and whether you will have future functions after the event, are important in determining how to set up the organizational structure for your event.

Small Event: If you are “testing the waters” in your community to see how much interest you can generate in the plant-based lifestyle, you may want to start off planning a small event at a donated venue with a few exhibitors, some food vending, and a few speakers. In this case, you may want to handle the arrangements for scheduling the venue, speakers and exhibitors using just your own identity and your own bank account. While informally handling arrangements may work, it could also lead to a lot of headaches with details of venue use being poorly coordinated, exhibitors or speakers not showing up, or miscommunications or mistakes regarding handling of money.

While an event can be put on using the Group Leader’s (GL) personal information to sign contracts, receive and disburse money, and prepare schedules, it is usually better for the GL to form a corporate entity and do transactions through that entity. In most states, forming a corporation can be done online by filling out a form and paying a registration fee. There are also online services that will incorporate your organization for an additional fee. Receiving your Certificate of Organization from your state’s Secretary of State’s office may be very quick or may take a few weeks, so plan ahead.



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Some venues, permitting authorities, and insurers specify that they will only deal with organizations that are corporations or limited liability companies. Forming one of these organizations involves selecting corporate officers (some states only require a President), filling out forms with your Secretary of State's Offices, and paying a charge that usually ranges from \$100 to \$500 for administrative and filing fees, depending on your state. You can obtain your specific state's filing and fee information by visiting your Secretary of State's web site. It usually takes several weeks for your application to be processed, but expedited processing that takes just a few days is generally available for an extra fee.

- **Bank Account:** If the Pod does not incorporate, there will be a need to use a member's social security number or an EIN/Tax Identification Number and a "doing business as (DBA)" name to open a bank account in order for the Pod to handle income and expenses. It only takes a few minutes to get an EIN/TIN online and there is no charge.
- **Donations:** Donations to help cover event expenses can be a great help. Even though your Pod may not have applied for IRS tax exempt status, you can still ask for and receive donations as gifts, but the donors will not be able to get a tax deduction write-off for their donation unless the receiving organization has tax exempt status or is sponsored by an organization that has tax exempt status. Nevertheless, when people give small donations, they often do not care about the tax deduction because they are wanting to help a cause, so small donations are generally not taxable as income and small groups running a nonprofit function generally do not have to report the donations to the IRS. There may be particular case-specific instances, however, where donations are considered taxable income (depending on use of the funds and other factors), so it is recommended that you keep specific records of donations received and consult a tax professional to be sure. If you decide to ask for donations, also check with your state charitable solicitation laws to see if there is a requirement that you register to solicit donations with the state. Most states require that organizations asking for donations fill out a registration form unless you are exempt. Depending on the state, small organization that raises less than \$5,000 - \$25,000 may be exempt.
- **Nonprofit Incorporation:** Although it is possible to operate as an unincorporated group using a DBA and receive non-tax-deductible donations, this is usually done "on the fly." This may be acceptable if the Pod is only planning to participate in one event. There are, however, several reasons that a Pod may choose to incorporate: i) It provides liability insulation for officers if there is a mishap at an event; ii) it allows the Pod to enter contracts without being personally liable on the contract, iii) it allows the Pod to transact business without using a member's social security number; and iv) it strengthens the group's credibility.



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- Nonprofit incorporating is a relatively easy process and there are numerous resources online. Depending on the state, it will likely cost a few hundred dollars. In many states, a trip to the state's Secretary of State Office will allow for the filling out and filing of the paperwork without incurring third party fees, but there will be a filing fee that must be paid to the state. Information required includes: i) the name of the organization; ii) an address for receiving official correspondence; iii) names of officers, and iv) other info the state may require.
- **Federal Tax Exemption:** If your Pod wants to be able to receive the nonprofit organization registration discount for a VegFest and other festivals and give receipts to donors that allow the donors to have a tax donation, there are at least two options:
 - **Easiest - Find a Fiscal Sponsor:** A Fiscal Sponsor is a nonprofit organization that already has IRS status as a tax exempt organization. The fiscal sponsor will handle your donations through its bank account and issue checks for your group's expenses. You operate your organization, but the money flows through the Fiscal Sponsor and donors receive a tax deduction even though your group has not received tax exemption. A Fiscal Sponsor is usually one of two types of organizations: 1) it can be a nonprofit that is aligned with your cause and will allow you to be sponsored with a small fee or without charge; or 2) there are nonprofit organizations whose entire purpose is to serve as a Fiscal Sponsor. This type of organization will charge an administrative fee.
 - **Not easy, but best for long-term** - Secure federal tax exempt certification from the IRS: Find initial instructions here: [http://www.wikihow.com/Start-a-501\(c\)\(3\)-Nonprofit-Organization](http://www.wikihow.com/Start-a-501(c)(3)-Nonprofit-Organization). This is a fairly significant undertaking and will likely take 6 months or longer to secure tax-exempt status under section 501(c)(3) of the Internal Revenue Code, but the Pod can operate as a nonprofit in the interim once a Tax ID Number (EIN) is in hand. The tax exempt application may be submitted to the IRS after the group has incorporated in your state.

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