



SCHOOL *of* PUBLIC AFFAIRS  
AMERICAN UNIVERSITY • WASHINGTON, D.C.

BJA Drug Court Technical Assistance Project

# Sustaining Your Treatment Court: Using a 501(c)(3) to Fundraise

Thursday, November 3, 2016

12:00pm – 1:30pm Eastern

**Presenters:**      **Hon. William Schma – Kalamazoo, MI**

**Tracy Velázquez – Washington, DC**



# What we'll cover in today's webinar

- 1) What is a Non-Profit Organization?
- 2) What is 501(c)(3) status? Why should you apply for it?
- 3) What can 501(c)(3) organizations do and not do?
- 4) Steps to setting up a 501(c)(3) organization
- 5) Setting up a 501(c)(3) to support a treatment court: the Kalamazoo Experience
- 6) Planning for the treatment court nonprofit organization
- 7) Implementing a fundraising campaign
- 8) Campaign Outcomes
- 9) Alternatives to a 501(c)(3): Kalamazoo transitions to a community foundation; other options to consider



# What is a Non-Profit Organization?

- Private (not government)
- Organization (privately incorporated)
- Self-governing (controls its own activities)
- No owners (overseen by volunteer board of directors)
- No profits (but CAN have funds in the bank)
- For public benefit (public good/purpose)



# What is a Non-Profit Organization with 501(c)(3) status?

- An organization that qualifies for tax exempt status under Section 501(c) of the IRS Code
- Which has applied for this designation
- Received a letter of determination from the IRS granting them status



# Benefits of 501(c)(3) status from the IRS?

- To qualify under the IRS Code to receive charitable contributions
- Provide assurance to donors that their contribution will be tax-deductible (to the extent allowed by law)
- To qualify for grants from foundations and others who require it
- To qualify for exemption from many taxes
- Incorporation can limit personal liability



# What can't 501(c)(3) organizations do?

- No part of net receipts (what would be “profit” in a for-profit company) may benefit any individual
- No “substantial part” of activities should involve influencing legislation (entire other presentation needed to define “substantial”)
- Organization cannot support or oppose a political candidate



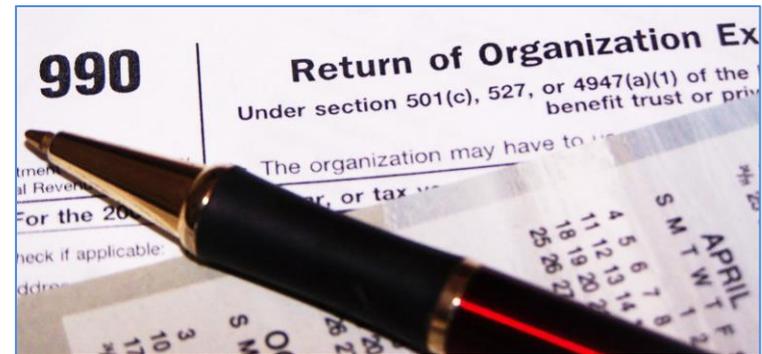
# Basic steps to establishing a 501(c)(3)

- Clearly define your purpose: *A mission statement is a good way to accomplish this.*
- Form a steering committee/executive board: *The IRS almost always requires a minimum of 3 people on a board.*
- Write and approve organizational bylaws (see resource links).
- File Articles of Incorporation with your state (usually the office of Secretary of State or Attorney General).
- Obtain a federal Employer Identification Number (EIN).
- Develop fiscal and financial systems (record keeping, accounting, budgeting, etc.) appropriate to your size.
- File Form 1023 to obtain IRS determination of 501(c)(3) status.
- Wait: IRS approval can take several months.



# Reporting requirements for 501(c)(3) organizations

- Annual report to the IRS: Form 990 or its variants (simpler forms for organizations with <\$50,000 in income)
- Donors must be provided documentation of their gifts
- States may have their own requirements in terms of reporting and soliciting gifts
- Foundations, government agencies, and other organizational donors may have their own reporting requirements as well



***Note: State incorporated and 501(c)(3) nonprofits are both legal entities; seek professional and/or legal advice regarding both formation and reporting requirements.***



# Setting up a 501(c)(3) to support treatment court: the Kalamazoo Experience

- Why did Kalamazoo look into starting a nonprofit?
  - Funding was uneven year to year
  - Federal grant was ending
  - State & local grant funds were inconsistent
  - Wanted a secure funding stream to balance out highs and lows
- Established the Drug Treatment Court Foundation as a 501(c)(3) in 1994



# What early steps did the KTCF take to successfully raise money?

- Hired a fundraising professional to help
- Went through a long period of planning
- Feasibility Study: creating a reason why people should give
- Developed Case Statement
- Formed a 501(c)(3)
- Created a “Campaign Cabinet”
- Seek grant for start-up costs



# The Kalamazoo Treatment Court Campaign: Laying the Groundwork

- Developed strong Board: high profile community members as face of the campaign
- Developed committees
  - Finance committee: bankers, CPAs
  - Marketing committee: decided what campaign materials were needed
- Familiarized campaign volunteers with the treatment court; volunteers attended hearings
- Determined roles for judges, both active and retired
  - Active Kalamazoo judges provided information, left the actual asking to others
  - Check with American Bar Association (ABA) and respective state court administrative office regarding any prohibited judicial activity



# Components of the campaign

- Focused on building relationships – people give money to people
- Held gatherings – this facilitated more open discussion, deeper understanding of the treatment court
- Secured prominent lead gifts – people want to know “who’s in”
- Sought out media for treatment court and campaign
- Developed video and case statement to use at gatherings, Rotary meetings, etc



# Kalamazoo Treatment Court Video



# What were campaign's results?

- Raised over \$9 million over 10 years
- Campaign goals should be fluid, not static
- Built awareness of and support for treatment court and its goals
- Increased openness of the court: people became interested in the judicial branch
- Created a model (and model documents) that other Michigan courts could use

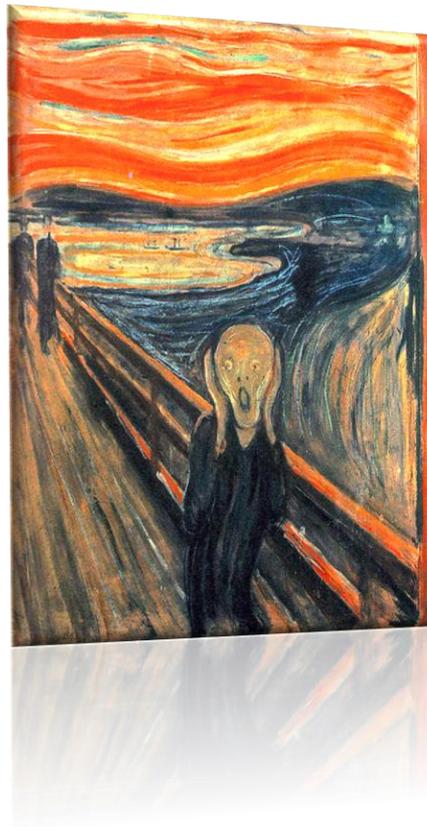


# Transitioning the Campaign

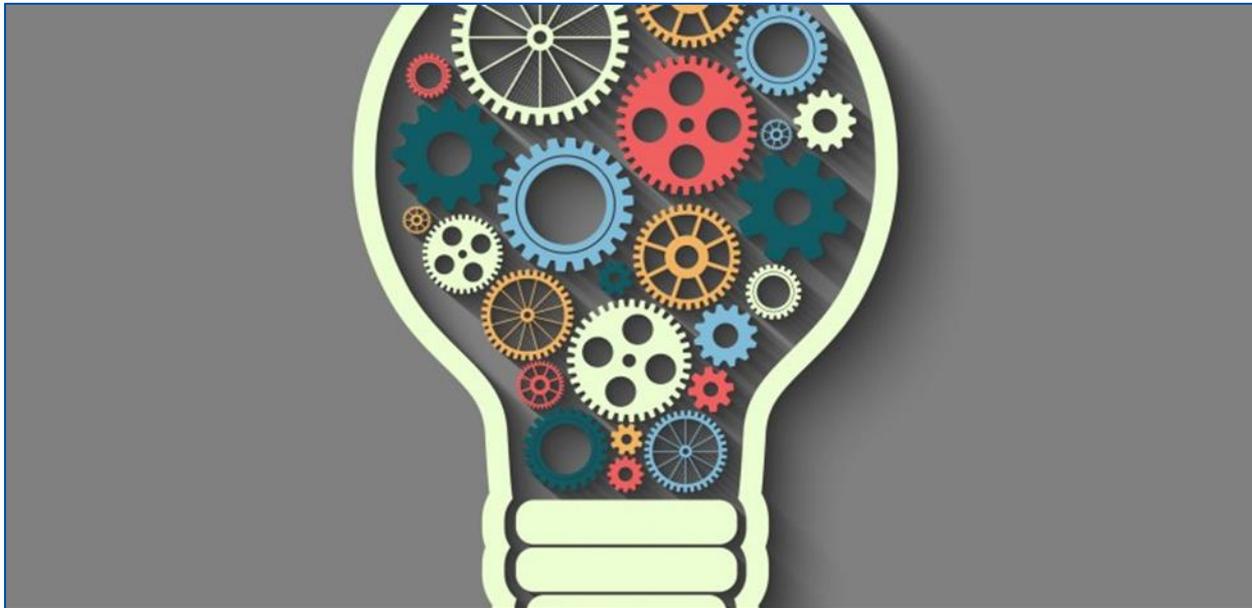
- Fund now lives at local community foundation
- Foundation disburses money and also solicits gifts to benefit the treatment court
- “Friends of Drug Courts” group – about a dozen individuals who provide support still raise money on an informal basis



# Don't panic!



**If a 501(c)(3) isn't possible for you...**



# Other Options for Raising Money for Your Court

- Community Foundations:
  - Support local activities (Like Kalamazoo Court)
  - Can set up funds for certain activities
  - May have “donor advised” funds that they manage; they can present information about your work to these donors
- Partner with Other Nonprofit & Civic Organizations
  - Rotary, Lions & other groups can take you on as their cause
  - Veterans groups, recovery orgs have overlapping interests
- Fiscal Sponsorship by another organization
  - They charge an administrative fee and manage the paperwork
  - Their mission must be broad enough to cover your work
  - You have the benefit of their reputation & experience, but also may have to work within their rules



# In conclusion . . .

- Check your state laws regarding raising community money to support your treatment court
- Decide what you are raising money for, and how much you'd like to raise
- Assess your capacity, both for managing a non-profit and raising money
- Get advice/help regarding most effective ways to raise money
- Look at what options are available to you in your community



# Resources

- Sample Articles of Incorporation
  - <https://www.irs.gov/pub/irs-pdf/p557.pdf>
- Applying for 501(c)(3) Status
  - <https://www.irs.gov/pub/irs-pdf/p4220.pdf>
- Rules around lobbying for nonprofits
  - [https://independentsector.org/lobbying\\_guidelines\\_public\\_charities](https://independentsector.org/lobbying_guidelines_public_charities)
- Sample by-laws
  - <http://www.minnesotanonprofits.org/nonprofit-resources/start-a-nonprofit/samplebylawsoutmembers.pdf>
- General Nonprofit Resources:
  - <https://www.councilofnonprofits.org/>
  - <http://www.cof.org/foundation-type/community-foundations-taxonomy?navItemNumber=15626>



# Questions?



## For More Information Please Contact

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# Thank you for attending!

