

# ***CORVETTES OF BAKERSFIELD, INC.***

**JULY 3, 2018 – 6:00 P.M.**

## **DISCUSSION MEETING**

**Dr. Zelma J. Frankhouser, Presenter**

The following statements are provided as recommendations to the 501c7, Corvettes of Bakersfield, Inc. The information is in response to the nonprofit's recent request to consider starting a public charity, 501c3.

### **RECOMMENDATION 1:**

Maintain and continue to operate the current 501c7 without making changes to the structure and operations of the nonprofit. Although the following items should be considered:

1. File for a permit to conduct raffles during the 2019 calendar year with the California Attorney General's Office before August 1, 2018 (document attached).
2. California raffles must be designed to donate ninety (90%) percent of the raffle income to a public charity. Only ten (10%) percent of income from a California raffle may be used to run the raffle, i.e., tickets, flyers, etc.
3. California raffles cannot (at this time) offer a cash prize for the winner.
4. Prizes for California raffles must be donated and not purchased by the 501c7 or 501c3.

### **RECOMMENDATION 2:**

1. Review the benefits of starting a 501c3 as a nonprofit arm (sub-agency) of Corvettes of Bakersfield, Inc. current 501c7.

### **BENEFITS:**

1. Offer to each member the opportunity to make tax-deductible donations to the new 501c3.
  2. Organize fundraisers and raffles under the umbrella of the new 501c3, i.e., designate a portion of ticket sales to be set aside as donations to the new public charity.
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3. Corvettes of Bakersfield, Inc. members and event participants can be given an opportunity to donate goods to the event and/or raffles.
  4. In order to receive a tax deductible donation under the 501c3, businesses may be given an opportunity to purchase event sponsorships.
    - a. Limitations to business sponsorships: The business may not advertise business services such as discounts to event participants, advertise their business (we provide the best paint jobs in town).
    - b. Only the business name, address, owner and a logo may be displayed in marketing materials, signs, Website, Facebook, etc.
    - c. If the business chooses to include a coupon or advertise business services, the deduction must be taken under normal business expenses such as marketing.

### **RECOMMENDATION 3:**

1. Keep the process between both agencies simple, i.e.,
  - a. Create a separate **savings** account under the EIN of the new 501c3.
  - b. Tax deductible donations **only** to be deposited into the savings account, i.e., proceeds from raffles sales and ticket sales.
  - c. At specific times during the financial year, cut a cashier's check or savings account check to the **charity chosen by the 501c7's board of directors**.
  - d. No part of the 501c3 revenue can be used to benefit any board member or members of the 501c7.

### **ADVANTAGES:**

1. Only one board of directors for both nonprofits. Business may be conducted at the 501c7 meeting with a simple addendum that provides discussion regarding the business of the 501c3.
2. Reduce the need for lengthy minutes of meetings, additional detailed treasurer reports, and other time consuming and complex executive board duties.

3. Treasurer's report for the 501c3 will be a separate simple cash flow under the new EIN of the public charity.
4. Future potential to seek local grants to increase donation revenue and to offer members and event participants an opportunity to make donations that may be tax deductible under the IRS regulations for public charities (501c3).
5. Future potential to purchase technology needs at a discount.

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