

## Choosing Your Legal Form

# 501(c)(3) Status

This lesson will inform the group about 501(c)(3) status (versus other nonprofit statuses) so that they can decide if they want to pursue it.



**Time**  
1 hour

## Preparation

Print out enough copies of participant guide for all attendees. Make sure equipment can play “501(c)(3)” elearning/video. Prepare flipchart and markers for brainstorming activities. On a new flipchart sheet, write in large letters: “‘Nonprofit’ means the organization can’t distribute its income to shareholders.” Display the sheet somewhere prominently in the room.



## Visual

Pull up the “501(c)(3) Status” video.

## Orientation

Ask the group, given what we now know about nonprofits in general (direct their attention to the flipchart sheet you’ve written), what we think “501(c)(3)” means. Explain that 501(c)(3) is probably the most well-known of the nonprofit designations, so we’ll learn about what it means, exactly — as well as what our other options are as a nonprofit. Introduce brief video explaining the basics of 501(c)(3) designation. After the video, hand out participant guides, saying that the content is basically the same in the video and the guide. Give a few moments for participants to review the guides.

## Demonstration

Complete quiz: is this a 501(c)(3) exempt purpose? as a group. If technology is unavailable or unreliable, put each statement on a single flipchart sheet and decide as a group what it is.

## Key Points

Emphasize that donations to 501(c)(3)’s are tax deductible, which could be very helpful to our fundraising efforts — but that designation comes with a lot of restrictions and requirements.

## Practice

Direct participants to their guides, where they will be brainstorming the pros and cons of becoming a 501(c)(3) in our community and with our mission and vision. Give them 10 minutes to brainstorm on their own, writing ideas down on their guides. After 10 minutes, go around the room, having each participant read out one pro and one con. Divide a flipchart sheet into two columns and label them “pros” and “cons.” Record each contribution accordingly. When everyone has had a chance to speak, open the floor to the whole group for a more free-form brainstorm to fill in both columns.

## Debrief

Revisit the discussion at the beginning of the meeting about what “501(c)(3)” means and compare to what we’ve learned. Ask the participants to spend some time over the next few days thinking about the pros and cons and deciding if a 501(c)(3) would be right for us. Ask them to email you their thoughts within one week. If all participants decide they don’t want to form a 501(c)(3), skip to the next module and discuss your options with an attorney. If all participants do want to form a 501(c)(3), proceed to the next lesson. If there’s a combination of both, hold another brief meeting to discuss as a group and come to a consensus. At that meeting, bring a flipchart that lays out all the concerns participants had sent to you via email.