

# SECTION 1

## WHAT IS A 501(C)(3)

## PROS AND CONS OF A 501(c)(3)

### ◆ Pros

- Exempt from federal taxes.
- Can provide tax deduction to qualified donors.
- May be eligible for a larger number of grant programs.

### ◆ Cons

- The process is expensive and time consuming.
- There are Federal filing requirements.
- May require a more formal organizational structure than the group desires.

*There can be many reasons a group may choose not to incorporate as a 501(c)(3) corporation. For instance, sometimes it may not take many resources to run a smaller program so the financial advantages are not as great as they may initially appear.*

## Introduction

Many organizations in Missouri are doing great things for their communities. Some are doing things on a large scale, building community centers, industrial parks, retail developments, housing programs and other projects with major impacts on the development of their communities. For most of these groups the decision to form a not-for-profit corporation and file for a 501(c)(3) tax identification number is a relatively simple process. They may need exemption from federal income taxes simply to manage the financial resources they have gathered to implement and run their projects.

For many others (mostly smaller) organizations in Missouri, the decision whether or not to incorporate is not as easy to make. These groups are also doing very important projects in their communities. They may run educational programs, neighborhood organizations, and civic and recreational projects.

There can be many reasons a group may choose not to incorporate as a 501(c)(3) corporation. For instance, sometimes it may not take many resources to run a smaller program so the financial advantages are not as great as they may initially appear. Although it is not expensive, the cost of the application can approach \$500, which for many organizations may be a large portion of their annual budgets. The additional accounting required to maintain the 501(c)(3) with the federal government may also increase costs.

For organizations on a tight budget an alternative may be to work with an existing community organization that already has a 501(c)(3). An existing 501(c)(3) corporation may be in a position to provide some of the fiscal management for a group's activities. In cases like these, and others, the advantages of a 501(c)(3) are not so great that a group is willing to address the organizational and fiscal issues required for formal incorporation.

The intention of this workbook is to help a group make the decision whether or not to formally incorporate. For those that do decide to incorporate, this handbook will take them through the process of getting incorporated in Missouri, writing bylaws, and assembling the materials necessary to be considered for a 501(c)(3) by the Internal Revenue Service.

### What is a 501(c)(3)?

A 501(c)(3) is a type of corporation recognized by the federal government as an organization whose general purpose is educational, religious or charitable.

Some not-for-profit corporations will have very large budgets (some hospitals, churches and universities operate as 501(c)(3) corporations) and still rely on a level of public support over and above the money the corporation generates in order to continue providing their services.

The general purpose of a 501(c)(3) seems very simple and it is not terribly complicated. However, the IRS has a fairly rigorous application process where it uses the information provided by an applicant to determine whether an applicant is a business whose purpose is in fact educational, religious or charitable.

501(c)(3) not-for-profit status is desirable for many corporations because there are a number of benefits -not the least of which is that the qualifying organization has no federal tax liability. Most organizations will need to file a federal tax return (Form 990) annually but this is primarily to communicate to the IRS how much was earned in the fiscal year, from where it came and for what it was used. This helps the IRS verify that the organization still meets the requirements of a 501(c)(3) regarding the use of resources.

***Many organizations will start the incorporation process, even submit the application, without ever asking the question "Do I need a 501(c)(3) for my organization?"***

### **Do I need a 501(c)(3) for my not-for-profit organization?**

Many organizations will start the incorporation process, even submit the application, without ever really answering the question "Do I need a 501(c)(3) for my organization?" Often, a 501(c)(3) is required for a grant program, or sometimes a group is really interested in having the tax identification number so they can offer federal tax deductions to contributors. These may be compelling reasons for some organizations and are viable reasons for considering filing for 501(c)(3) tax exemption. However, achieving 501(c)(3) status is not some sort of nirvana for a not-for-profit corporation. There are costs associated with obtaining and maintaining a 501(c)(3) corporation.

These costs can often offset the benefits associated with having the 501(c)(3). For small organizations these costs can be fairly extreme. Any discussion about applying for a 501(c)(3) should include a look at both the benefits and the costs.

### **Benefits of a 501(c)(3)**

There are generally three principal benefits to an organization that files for a 501(c)(3):

- The organization becomes exempt from having to pay federal taxes on the income of the corporation;
- is allowed to offer federal tax deductions to qualified donors;
- and, may be eligible for a large number of grant programs.

Each of these reasons needs to be closely considered before making the decision to incorporate, particularly for organizations with limited resources. 501(c)(3) corporations don't pay taxes on their income.

This is a particularly important benefit to a large organization. Most not-for-profit organizations with annual operating budgets of less than \$5,000 per year are automatically exempt from federal income taxes and do not need to make application for a 501(c)(3). If an organization needs only to be exempt from tax liability then they simply need to be incorporated as not-for-profit in their state if their annual revenues are less than \$10,000 per year. In many cases they won't even need to file the annual form 990 tax return.

In order to receive the other benefits of incorporation, a group (even a small organization) will need to make application for an exemption letter. The exemption letter is the letter the organization receives from the IRS after the application has been accepted and 501(c)(3) status has been granted. When an organization has a copy of this letter, they can access the other benefits of 501(c)(3) status. 501(c)(3) corporations assure potential donors to the organization that their contributions will be tax deductible.

Contributions made to 501(c)(3) corporations by businesses and individuals are deductible from their federal income taxes. Businesses and individuals contribute billions of dollars each year to not-for-profit corporations. In return they get to deduct their contributions from their annual income taxes. These contributions are the lifeblood of many charitable organizations. This feature of the 501(c)(3) distinguishes it from the other not-for-profit classifications, such as business associations 501(c)(6) and trade groups 501(c)(4).

***501(c)(3)  
organizations  
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**Grant programs are important revenue source for not-for-profits.**

These programs can come from public agencies or private foundations. Most of these funders will require that a not-for-profit have a 501(c)(3) in order to be eligible for their funding. Sometimes this requirement is legal. That is, they must require the 501(c)(3) in order to participate in their program. Other times it is done mainly to make their jobs easier. For example, foundations are usually required to fund programs that meet the purpose of a 501(c)(3) (educational, charitable or religious organizations). However, there is nothing that requires them to only fund 501(c)(3) corporations. In the case of a foundation it is always a good idea to talk to someone at the foundation about the project that needs funding before making the commitment to get the 501(c)(3) in order to be eligible for their program. In some cases they may waive that requirement if it is a fairly small project and the organization can convince the foundation that it operates the same as a 501(c)(3).

Although the fiscal benefits of a 501(c)(3) can be considerable, it is important not to rush into the application process. It may be possible by working with other existing organizations in the community or by carefully researching potential funders to get all of the same benefits with fewer of the hassles that can be inherent in the management of a 501(c)(3). Many educational institutions and churches have the 501(c)(3) designation. If these existing institutions are willing to help, it is normally a good idea to partner with them to gain access to the benefits of a 501(c)(3) while a new organization is developing its structure.

Questions that a group should consider before filing for 501(c)(3) include:

**What do we want to accomplish?**

When a group has decided what it wants to accomplish and defined its specific purpose, many other decisions, such as whether to incorporate, can become obvious. In discussing this question a group needs to look at not just the specific projects but what the role of the organization will be in developing and implementing those projects. For instance, a group may decide that it wants to improve housing for low-income families by developing a new affordable housing project. In this instance, if the group is going to be the developer, they may need to incorporate and get a 501(c)(3) since there are many financial responsibilities associated with managing a housing development.

However, the same group may decide a more appropriate role for their organization would be to identify the families who would be good candidates for the new housing and develop programs to prepare these potential homeowners for home ownership. It may be possible to put together a first-rate program that plays a key role in the project but does not necessarily require a lot of fiscal resources. In this instance, working with someone else in the community as the developer (such as a community development corporation) may make it possible to play a key role in the community without needing to get the 501(c)(3).

**How can we best organize to meet our goals?**

No magic formula for creating a model not-for-profit organization exists. It is not possible to pick up a book of organizational structures/models and find one that will work perfectly. Even the organizational structures of groups doing essentially the same kinds of work will not necessarily be appropriate for another group of people who want to do some of the same kinds of things because the structure needs to represent the various needs of the members as well as the mission of the group.

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Organizational structures should reflect the decision-making needs and styles of the people who comprise the organization. As a group's membership, leadership and organizational purpose change, it is likely that the organization's structure also will need to change. Thus the structure should be flexible.

Groups need some flexibility in how they organize in order to deal with change. Once an organization has decided what it wants to accomplish, it should try to find a way to do their work for awhile before deciding on the type of formal organizational structure they want to adopt. It can be very difficult for a group to change its organizational structure once the group puts it in place

Occasionally a group will know immediately that they will need to obtain a 501(c)(3) and they will make an application. In these cases the purpose is clear and the organizational structure is apparent. This can be particularly true of a group that is intending to provide a single service to an easily identified clientele. An example may be to provide temporary shelter to homeless single mothers with children under the age of five. The purpose is clear. They may simply want to form a perpetual board of directors, adopt a fairly standard set of bylaws and apply for a 501(c)(3) so they can get on with their work. However, for most groups the formation of a not-for-profit will be more of an evolutionary process.

Often a group may form in response to a change in the community, a sudden influx of new immigrants to the community due to a new plant opening or the sudden exodus of many community members due to a plant closing. Usually there is a catalyst. An informal group will be created to address the specific needs presented by this catalyst. In Missouri there were many of these groups that formed informally during the big floods in 1993.

After the initial need has been met (sometimes successfully) the group will often look for something else to do that uses the energy and abilities of the group. Sometimes the group will decide to institutionalize so it can be better prepared next time. Whatever the reason, the group decides it wants to continue and it wants to grow, to involve more people and to attract more money.

Up to this point the group has operated rather informally. It may borrow an office from another organization, use volunteers for the project(s), accept small donations from other organizations and make decisions on an ad hoc basis. It may not even have a chairperson to call the leader. Everything seems to be working well. There is lots of energy and things are getting done so there has been little need for any formal kind of structure.

As time goes on the scope of the organization may broaden as it raises more money or as projects become more sophisticated. Management issues such as who is in charge or who is responsible for managing the funds emerge as priorities. There is a need to have someone in the organization pay attention to those details. Sometimes a group can get by for awhile by affiliating with another existing organization that can take care of some of the management issues. There are many cases of groups in Missouri that were affiliated with a chamber of commerce or another traditional community organization. Sometimes this relationship can continue for a long time. Other times the group continues to grow and feels that it needs more independence or has a mission different enough from its sponsoring organization, so it decides to incorporate as a new group.

At this point the group is making a transition from an informal organizational structure to a more formal organizational structure in order to put in place the decision-making structures necessary to effectively run a corporation. This can be particularly true for a group that has been together awhile, has a number of accomplishments and views the establishment of a 501(c)(3) as simply a natural

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step in its growth and development. Formal structure changes some of the dynamics among the participants. Whenever a formal structure is put into place there is always going to be a loss somewhere. Usually it will be some loss of enthusiasm and creativity that comes from a free-wheeling association with few rules and structures.

Many examples exist of groups that have been successful for years with little or no formal structure and just as soon as they formalize the organization's structure, the group dies or changes dramatically. This usually happens because the structure has become too formal too fast. The people who enjoyed participating no longer enjoy it because there are too many rules in place, or the organizational maintenance requirements of the formal organization leave little time and energy to carry out projects.

An essential organizing question that needs to be considered when a group is contemplating the transition to a formal structure is a question of balance. One of the principal challenges for an organization is to develop organizing structures that still encourage the creativity generated in an informal environment. This can be a difficult balance to achieve. It is best addressed by moving slowly and carefully defining the purpose of the group. It is critical that the organizational structure facilitates the work and purpose of the group. If the structure doesn't make it easier for people to participate and accomplish what they came together to do, then it is the wrong structure and needs to be changed.

#### **How will we make decisions?**

This is a question that every group needs to spell out clearly in its bylaws. If a group doesn't have bylaws, bylaws will need to be developed as part of becoming a formal organization. The bylaws should clearly spell out how decisions are made, especially for a newer group contemplating the transition from a looser, informal setting to a more formal organizational structure. Reaching consensus on how decisions will be made about the allocation of resources is particularly important. Who is responsible for spending decisions? Is there going to be a governing board? Will there be paid staff?

#### **Can our organization manage the accounting necessary for a 501(c)(3)?**

Many times a small organization does not have the accounting procedures in place to properly administer a 501(c)(3) corporation. The accounting procedures needed do not have to be sophisticated, but they do need to be accurate, consistent and well monitored. Oftentimes an organization will have a corporate structure that elects new officers every year, including a treasurer. There are several potential problems with this type of system for a 501(c)(3). For instance, when there is the potential for a new treasurer every year, it is inevitable that eventually someone will get the job that is not qualified or does not have the experience necessary to maintain the 501(c)(3). There have been instances where a series of treasurers (over two or three years) were elected who knew very little about maintaining a 501(c)(3) and let the tax status lapse. In other instances, the bookkeeping systems changed every year with each treasurer causing problems in maintaining any consistency in record keeping. Establishing a consistent and accurate record-keeping system is a key ingredient in being able to manage a 501(c)(3).

Most 501(c)(3) corporations will have to file a Form 990 annually with the IRS. It is like a tax return for 501(c)(3) corporations. It is not a complicated process unless the corporation is receiving funding from a variety of sources, has employees, and/or holds assets such as property, stocks and equipment. The more sophisticated the revenues and expenditures the more serious the need for

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assistance with accounting. The small not-for-profit with no employees and an annual budget of less than \$10,000 per year can function well without a professional accountant.

However, they will still need a carefully crafted accounting system that establishes a regular accounting period and a stable board structure. For instance a number of organizations will develop a board structure that elects officers every two years. They stagger the terms so that there is some assurance that there is always someone on the board familiar with the accounting from one year to the next. This type of approach provides much more stability than one that elects officers every year. It is critical that an organization considering the establishment of a 501(c)(3) grapples with how it is going to manage its resources even if there are not many resources to manage.

#### **Incorporating as a not-for-profit corporation**

When a group decides to formally organize as a not-for-profit corporation it is usually facing up to four different levels of the process, beginning with forming a corporation in the state of Missouri and ending with the filing of the application for the 501(c)(3) with the IRS. Along the way a group will need to write bylaws and obtain a federal tax identification number. These four processes are all independent but necessary to receive a 501(c)(3).

The process of incorporating as a not-for-profit corporation in the state of Missouri is often confused with the Federal 501(c)(3) application process. Incorporating in Missouri as not-for-profit does not automatically make an organization a 501(c)(3) corporation. The 501(c)(3) process is separate from the process of establishing the not-for-profit in Missouri. Getting incorporated in Missouri is a first step. Page 24 has a graphic that illustrates the various steps in getting a 501(c)(3) designation.

The confusion stems from the not-for-profit designation. In Missouri, incorporating will exempt a not-for-profit from state income taxes but not federal income taxes. If the organization is small (less than \$5000 income per year) then they may also be exempt from paying federal income taxes without applying for 501(c)(3) designation. However, they will still need to go through the 501(c)(3) application process if they want to receive the other benefits of being incorporated as a 501(c)(3) such as offering donors tax deductions.

***It is critical that an organization considering the establishment of a 501(c)(3) corporation grapple with how it is going to manage its resources even if there are not many resources to manage.***



**Additional Resources**

The following are some additional contacts that may be helpful:

**Secretary of State**

The office of the Missouri Secretary of State can answer questions about incorporating in the State of Missouri as a not-for-profit and provide the applications and amendment forms. There are four sites in Missouri:

Missouri State Information Center  
600 W. Main, room 322 / PO Box 778  
Jefferson City, MO 65102  
(573) 751-4153  
Toll free: 1-866-223-6535

U.S. Customs & Post Office Building  
815 Olive Street, Suite 210  
St. Louis, MO 63101  
(314) 340-7490

Springfield State Office Building  
149 Park Central Square, Room 624  
Springfield, MO 65806  
(417) 895-6330

Kansas City State Office Building  
615 E. 13th Street, 5th Floor, room 513  
Kansas City, MO 64106  
(816) 889-2925

*An EIN is required for all 501(c)(3) applications regardless of whether your corporation has employees.*

**Employer Identification Numbers**

If your corporation needs an Employer Identification Number (EIN) an application may be obtained and sent to the address listed below. This application may also be made over the telephone by calling the number listed after the address. If you do file an application over the telephone it will still be necessary to submit the paper application in order to assure that the employer identification number is valid. An EIN is required for all 501(c)(3) applications regardless of whether your corporation has employees.

Attention: EIN Operation  
Philadelphia, PA 19255  
Fax-TIN: 859-669-5760  
File by phone at: 1-800-829-4933

**Internal Revenue Service**

The application for the 501(c)(3) (Form 1023 and others) and all supporting documents must be sent to the address below (with the appropriate fee).

Internal Revenue Service  
P.O. Box 192  
Covington, KY 41012-0192



# SECTION 2

## CREATING YOUR ORGANIZATION'S BYLAWS

## **BYLAWS—THE RULES OF THE GAME**

- I. What is the name of the organization?**
- II. What is the purpose or mission of the organization?**
- III. What kind of corporate structure will be established?**
- IV. Terms and election of directors**
- V. Membership**
- VI. Officers**
- VII. Committees**
- VIII. Amendments**
- IX. Parliamentary Authority**

*An organization's success depends in large part on how well it goes about establishing its structures and methods for making decisions and implementing the programs it develops.*

### Establishing a set of governing bylaws

Establishing a set of agreed upon principles and rules that govern the work of an organization can be one of the most painful and difficult processes any organization attempts. However, an organization's success depends in large part on how well it goes about establishing its structures and methods for making decisions and implementing the programs it develops. In fact, a well-developed set of bylaws will facilitate the work of the organization.

Adoption by the membership of the organization of an agreed upon set of rules that guide the conduct of the organization may also make difficult decisions less divisive. A well-developed set of guidelines for decision-making can make it easier to discuss difficult issues without the debate getting personal and causing irreparable damage to the relationships among the leadership of the organization. There are many instances where confusion over how decisions would be made or who was responsible for certain decisions have caused otherwise effective organizations to disintegrate.

The following are some common questions most groups need to consider as a first step in establishing a governing structure:

#### I. What is the name of the organization?

#### II. What is the purpose or mission of the organization?

#### III. What kind of corporate structure will be established?

- A perpetual board? Membership? Other?
- Who are the initial board members?
- Will there be an annual meeting?
- Where and when will the annual meeting be held?
- Where and when will regular meetings be held?
- What are the meeting notice requirements?
- What constitutes a quorum for a meeting?
- How will decisions be made?
- What role will committees play?

#### IV. Terms and election of directors

- If there will be a board, how many directors will there be?
- What is the role and responsibility of a director?
- How long are the terms?
- How are they replaced and/or removed?
- How is the size of the board increased or decreased?

#### V. Membership

- If there are going to be members, what are the criteria for membership?
- Will there be a fee for membership?
- What will be the relationship between members and decision-making?
- What can members expect from the organization?
- What are the expectations for members?
- Are any groups of people being excluded from membership by virtue of their race, sex, national origin or income?

*A well-developed set of guidelines for decision-making can make it easier to discuss difficult issues without the debate getting personal and causing irreparable damage to the relationships among the leadership of the organization.*

**VI. Officers**

- If there are going to be officers, how many are needed?
- What are the criteria for being an officer?
- What are their responsibilities?
- How long are their terms?
- Will there be term limits?
- How are officers replaced or removed?

**VII. Committees**

- What is the purpose for a committee?
- How will committees be formed?
- When will they meet?
- How should they interact with the board?
- How will they make decisions?
- Who can serve on a committee?

**VIII. Amendments**

- How often will the bylaws be reviewed?
- What is the process for amending the bylaws?

**IX. Parliamentary authority**

- Is there a set of rules or decision-making tools that can be referenced in situations when a decision-making impasse is reached?

There are two general approaches to writing bylaws, the perpetual board and the membership organization. The perpetual board of directors model is where the board of directors is the organization. At the other extreme, is the membership model where the organization is an open group and the leadership is chosen from the group. Most not-for-profit corporations have organizational structures that lie somewhere in between. There may be a member organization with some sort of a board of directors.

We will briefly discuss how each of these models broadly addresses articles listed about

**I. WHAT IS THE NAME OF THE ORGANIZATION?**

**Article I -Name  
(Board and Membership Model)**

The name of the organization shall be the "\_\_\_\_\_ Community Association." It shall incorporate under Missouri statutes for not-for-profit corporations.

The title requirements do not differ between the membership model and the perpetual board model. It is important to use **exactly** the same corporate name on all the various paperwork used to file for incorporation.

*Two general approaches to writing bylaws are used—the perpetual board and the membership organization.*

*Board and Membership Model*

**II. WHAT IS THE PURPOSE OR MISSION OF THE ORGANIZATION?**

**Article II – Purpose  
(Board of Directors Model)**

*Board of Directors  
Model*

The “\_\_\_\_\_ Community Association” is aware of the many challenges facing the community of \_\_\_\_\_. The purpose of this association is to build partnerships between the city of \_\_\_\_\_ and the residents of the community and other organizations that can provide support to the community’s development efforts.

The \_\_\_\_\_ Community Association is dedicated to improving the quality of life for the residents of the City of \_\_\_\_\_, assuring access to available resources and services.

**Article II – Purpose  
(Membership Model)**

*Membership Model*

The \_\_\_\_\_ Community Association is a coalition of local agencies, organizations, and institutions that serve the general welfare, health, education, and other social needs of our community. The \_\_\_\_\_ Community Association is dedicated to improving the quality of life of community residents and assuring the access of those residents to available resources and services.

*There are generally few differences in how the models approach the purpose. Where they will generally differ is in how they accomplish the work. In a membership model they will almost always involve the members of the organization in the work and what they would like to accomplish. In a board model they generally focus on defining a specific purpose for the organization that relates to some specific community issue.*

**III. WHAT KIND OF CORPORATE STRUCTURE WILL BE ESTABLISHED?**

**Article III – Board of Directors  
(Board of Directors Model)**

*Board of Directors  
Model*

Section 1. Management

The affairs of the corporation shall be managed, supervised, and controlled by a self-perpetuating board of directors consisting of not less than three (3) and not more than (15) persons (as decided from time to time by the board of directors) in a manner specified in section 2.

Section 2. Meetings

The annual meeting of the board of directors shall be held on the second Thursday of the month of January. All meetings of the board, regular or special, shall be held at the principal office of the corporation, or at such time and place within or without the State of Missouri as shall be determined by the chairperson or, if not designated by the chairperson, then as determined by the board of directors. The annual meeting shall be held for the purpose of electing officers and directors and transacting other business as may come before the meeting. Special meetings of the board of directors may be called by or at the request of the chairperson, or in the absence of the chairperson, by the secretary, or any two directors.

Members of the board of directors or of any committees designated by the board of directors may participate in a meeting of the board or committee by means of conference telephone or similar communications technology whereby all persons participating in the meeting can communicate with each other. Participation in a meeting in this manner shall constitute presence in person at the meeting.

Any action which is required to be or may be taken at a meeting of the directors, or of any committee of the directors, may be taken without a meeting if consents in writing set forth the action to be taken and are signed by all members of the board or of the committee as the case may be. The consent shall have the same force as the effect of a unanimous vote at a meeting duly held and may be stated as such in any certificate or document. The secretary shall file the consents with the minutes of the meetings of the board of directors or of the committee as the case may be.

Section 3. Notice

Notice of any annual or special meeting shall be given at least five days prior thereto by written notice delivered personally or mailed to each director at such director's business or home address. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed with postage thereon prepaid. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully convened. Neither the business to be transacted, nor the purpose of any regular or special meeting of the board of directors needs to be specified in the notice or waiver of notice of such meeting.

Section 4. Quorum

Two-thirds of the incumbent members of the board of directors shall constitute a quorum for the transacting of business at any meeting of the board of directors.

Section 5. Manner of Acting

The act of the majority of the directors present at a meeting of the directors at which a quorum is present shall be the act of the board of directors unless a greater number is required under the Articles of Incorporation, these bylaws, or any applicable laws of the state of Missouri.

The chairperson shall only cast a vote pertaining to decisions made by the board of directors when a vote of the regular board members results in a tie. In such an instance the vote of the chairperson is required.

***Board of Directors  
Model  
(continued)***

***A Board Model will  
describe when it  
meets, whom it will  
serve, how the board  
will make decisions,  
how many directors  
constitutes a quorum  
and how people will  
be notified of meeting  
in Article III***



## ***Membership Model***

### **Article III -Membership (Membership Model)**

#### Section 1. Individual Membership Criteria

Individuals are eligible for membership in the \_\_\_\_\_ Community Association if they meet any one of the following criteria :

- a. reside in \_\_\_\_\_ community, and/or
- b. employed by or volunteer with a community-based agency, or organization or institution as defined in Article II (purpose), and qualified in Article III, Section 2 (Affiliative Eligibility), and or
- c. employed by an agency or location outside the community that provides a significant level of services to local residents in those areas defined in Article II (purpose) and qualified in Article III, Section 2 (Affiliative Eligibility).

#### Section 2. Affiliative Eligibility

Entities with which affiliation make an individual eligible for membership must meet the following criteria:

- a. All services must be provided on a non-discriminatory basis.
- b. The entity must provide services with the goal of improving the quality of life for residents in the areas of welfare, health, education and other social services.
- c. The entity must have an active presence in the community, either in the form of an established office or meeting place, or the regular presence of a representative working in the community.

#### Section 3. Institutional Membership

Any agency, organization or institution which meet the criteria outlined in Article III, Section 2, may join as an institutional member, entitled to a single vote.

#### Section 4. Membership Dues

Annual dues of one dollar per individual or five dollars per institution shall be assessed, payable at the beginning of the calendar year or at the time membership is sought.

#### Section 5. Termination of Membership

Membership may be terminated voluntarily by the member or by the Community Association under the following conditions:

- a. Nonpayment of annual dues, and/or
- b. failure to attend meetings for a period of six calendar months, and/or
- c. just cause.

***Article III is where the organization clearly defines what kind of organization it is and how it will operate.***

*Article III is where the organization clearly defines what kind of organization it is and how it will operate. A Board Model will describe when it meets, whom it will serve, how the board will make decisions, how many directors constitute a quorum and how people will be notified of meeting in Article III. Some of these things need to be clearly spelled out because there are generally fewer people involved, so any disagreements over how the organization makes decisions can cause a great deal of harm to the organization itself. Things like what constitutes a quorum and how people will be notified are important to spell out very clearly. The annual meeting is important to the public. It is the annual meeting where the organization holds itself most accountable to the public.*

*A membership organization generally needs to focus more on how one becomes a member. They need to be certain that any membership requirements do not discriminate against protected classes of citizens. This model has three types of membership. This is most common when the membership is describing an organization that will include people who represent other organizations. There are many variations depending on who is participating in the organization and how the group wants to classify memberships. The important thing to remember is that you cannot use memberships as a way to exclude protected classes of people and still be a 501(c)(3) corporation.*

*Both models include a termination clause. This is critical for an organization. It may be difficult for organizations to reach quorum because some people are not participating. A termination clause gives the organization some flexibility that may be necessary in order to be able to conduct business on a regular basis.*

#### IV. TERMS AND ELECTION OF DIRECTORS

##### **Article IV -Terms and Election of Directors (Board of Directors Model)**

###### Section 1. Terms

Each director shall be elected for a term of two (2) years, at an annual meeting of the board of directors. Vacancies occurring on the board of directors, including vacancies due to an increase in the number of directors, may be filled by the directors then in office. Any director may succeed himself/herself indefinitely.

###### Section 2. Vacancies

When vacancies occur, the board shall consider the following criteria for the selection of board members:

- a. Two-thirds (2/3) of board members shall be residents or business owners in the City of \_\_\_\_\_
- b. The board of directors shall regularly seek the advice and counsel of the beneficiaries of all activities promoted by the Corporation in all its decisions.
- c. The initial members of the board of directors shall be:

**(INCLUDE THE NAMES, ADDRESSES AND TITLES OF ALL BOARD MEMBERS AT THE TIME THE BYLAWS ARE ADOPTED.)**

###### Section 3. Removal

The board of directors may, by resolution adopted by a majority of the directors, remove a fellow board member for just cause. If a board member is absent from three consecutive regular meetings of the board of directors, that board member may be removed by an action of the majority of the board members present at a regular or special meeting.

##### **Article IV -Membership Voting and Meetings (Membership Model)**

###### Section 1. Voting

Both individual and institutional members are eligible to vote thirty (30) days after initial membership dues have been paid. Once membership has been established, by payment of dues and the waiting period, any

***Board of Directors  
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member in good standing shall be entitled to vote on any issue put before the \_\_\_\_\_ Community Association.

Section 2. Meetings

- a) Called: Meetings of the \_\_\_\_\_ Community Association shall be held on the first Monday of the month at 8:00 a.m. at the \_\_\_\_\_ unless a different time and place is specified in the monthly meeting announcement.
- b) Quorum: Fifteen members shall constitute a quorum and the action of a majority of the members present and voting shall be the action of the \_\_\_\_\_ Community Association.

**Membership Model  
(continued)**

Section 3. Special Meetings

- a) Called: Special meetings of the \_\_\_\_\_ Community Association may be called either 1) by the chairperson; or 2) by order of five (5) members. Upon failure of the chairperson to act on such a request or order within thirty (30) days it shall become the duty of the vice chairperson to call the special meeting.
- b) Notice: Notice of special \_\_\_\_\_ Community Association meetings shall be given by the secretary to all members, either by mail or telephone. The notice shall state the date, time and place as well as the purpose of the meeting.
- c) Quorum: Fifteen members shall constitute a quorum for a special meeting and the action of a majority of the members present and voting shall be the action of the \_\_\_\_\_ Community Association.

*In this article there are few similarities between the two models. The board model focuses on how the board will be formed and changed. It also lists who will be the initial members of the board. Since there is no board in the membership model they discuss some of the nuts and bolts decision-making policies. In the member model note how it appears that most of the decision-making will be made by the entire membership. In some cases the bylaws may give officers more control over decisions. However, in this model the membership, through actions of the members, can grant certain decision-making authority to its officers.*

**V. OFFICERS**

**Article V -Officers  
(Board and Membership Model)**

Section 1. Officers

- a) Officers: The officers of the \_\_\_\_\_ Community Association shall be the Chairperson, Vice Chairperson, Secretary, Treasurer and Sergeant-at-Arms.
- b) Term: Each officer shall take office at the January meeting and shall serve for a term of two years.
- c) Removal: Motions requesting the removal of an officer for not performing the duties of his/her office may only be entertained at a regular meeting. The proposed action must be included on the pre-meeting announcement agenda. Such action requires approval of two-thirds of the membership present at the meeting.
- d) Duties: The officers shall perform those duties customarily assigned to the offices held.

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- 1) Chairperson -The chairperson shall preside at the meetings of the \_\_\_\_\_ Community Association, shall make committee appointments, and shall otherwise be responsible for the conduct of the business of the organization.
- 2) Vice Chairperson -The vice chairperson shall assist the chairperson as may be requested by him/her, and shall perform the duties of the chairperson or secretary in his/her absence or in the event of his/her inability or refusal to act.
- 3) Secretary -The secretary shall be responsible for keeping the minutes of the meetings of the corporation and distributing copies of these minutes to all current members at least a week prior to the next meeting. They shall see that all notices are duly given in accordance with the provisions of these by-laws; maintain a list of members; and in general, perform all duties incident to the office of secretary.
- 4) Treasurer -The treasurer shall be responsible for keeping and receiving records of all the funds of the \_\_\_\_\_ Community Association; deposit such funds in a depository approved by the officers; and pay authorized expenses upon order of the officers.
- 5) Sergeant-at-Arms -The sergeant-at-arms shall act as the parliamentarian as defined in Robert's Rules of Order Revised. The sergeant-at-arms shall be responsible for facilitating the meetings according to Article IX a.

#### Section 2. Past Chairperson

The past chairperson shall serve as an ex-officio officer providing assistance to the chairperson and other officers until a transition has been completed.

*These officer descriptions are fairly generic. The sergeant-at-arms is an officer's position that is rarely used anymore as an official officer of an organization. It was included here because the role of parliamentarian is an important one that needs to be considered when putting the organization together. There may not be an officially designated parliamentarian as a member of the executive committee but that role should be included somewhere. Often it is the parliamentarian who is the arbiter of disputes related to the rules of the organization. It is an important function.*

*These descriptions should serve as a point of departure for deciding what roles should be developed or ascribed for each of the officers. Actions of the organization can further define the roles. One caution is to resist having too many officers. Most small organizations can be effective with simply a chairperson and a secretary/treasurer. It may become difficult for smaller organizations to find enough candidates for some offices. In addition, the length of term is critical. If an organization is going to be handling multi-year projects and grants, then an ascension system is one recommended approach where the only person elected each year is the treasurer. In the second year they become the secretary and in the third the chairperson. Another approach is to elect officers for at least two years and stagger the elections so that not all the offices are changing at the same time. It is important that the board has some stability if there will be multi-year grants and projects.*

***Board and  
Membership Model  
(continued)***

***One caution is to  
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secretary/treasurer.***

## VI. COMMITTEES

***Board of Directors  
Model*****Article VI -Committees  
(Board of Directors Model)**

The board of directors, as necessary, may designate regular or special project committees, or such committees as designated by the chairperson.

- a) The Chairperson of a committee shall be a representative from the board of directors.
- b) The chairperson of the \_\_\_\_\_ Community Association shall be an ex-officio member of all committees.
- c) Meetings of each committee may be called by its chairperson or by the chairperson of the \_\_\_\_\_ Community Association on five days notice to the members of the committee. Committees shall meet as often as is necessary to conduct their business.
- d) All committees shall keep brief minutes of committee meetings and submit a summary of the minutes at regular board meetings.
- e) The action of a majority of the members present and voting at a committee meeting shall be the action of the committee.
- f) Each board member shall be an active member of one or more committees.

***Membership Model*****Article VI -Committees  
(Membership Model)**

The membership of the Community Association, as necessary, may designate regular or special project committees; or such committees as designated by the chairperson.

- a) The chairperson of each committee shall be elected by members of the committee or may be appointed by the \_\_\_\_\_ Community Association chairperson.
- b) The chairperson of the \_\_\_\_\_ Community Association shall be an ex-officio member of all committees. At the chairperson's discretion, the past-chairperson or vice chairperson may be asked by the chairperson to serve in this role.
- c) Meetings of each committee may be called by its chairperson or by the \_\_\_\_\_ Community Association chairperson on five days notice to the members of the committee. Committees shall meet as often as is necessary to conduct their business.
- d) All committees shall keep brief minutes of committee meetings and submit a summary of the minutes at regular \_\_\_\_\_ Community Association meetings.
- e) The action of a majority of the members present and voting at a committee meeting shall be the action of the committee.

***What distinguishes committees in a membership organization from a board model is that they are usually comprised of the membership and not the general public.***

*Committees are critical to an organization. It is in committees where the work is done. This may be especially critical for perpetual boards. It is in committees where others from the community can get involved. Sometimes there are requirements that a board member serve on the committee. Often it is a good idea to have a board member serve on a committee (it is common to see them as chairpersons) so that they can report progress of the committee to the rest of the board.*

*What distinguishes committees in a membership organization from a board model is that they are usually comprised of the membership and not the public. Sometimes they will include outside parties, but most of the time the committees are used to organize the work of the membership.*

*In writing bylaws for committees it is critical that there be a way of making the committee accountable to the rest of the organization. It is also important to be able to eliminate committees that are no longer valid. Instead of creating specific standing committees it may make more sense to have policies in place that allow for the formation and elimination of committees. It helps an organization make changes as needed.*

## VII. AMENDMENTS

### **Article VII -Amendments (Board of Directors Model)**

These bylaws may be amended by a two-thirds majority vote of the members present and voting at any duly called meeting or special meeting of the corporation called for that purpose. Each proposed amendment shall be presented at a meeting prior to being voted upon and shall be printed in the minutes of that meeting.

### **Article VII -Amendments (Membership Model)**

These bylaws may be amended by a two-thirds majority vote of the Community Association members present and voting at any duly called meeting or special meeting of the Community Association called for that purpose. Each proposed amendment shall be presented at a meeting prior to being voted upon and shall be printed in the minutes of that meeting. Each proposed amendment shall specify the date of its effectiveness and be presented at a meeting prior to being voted upon and printed in the minutes of that meeting.

*The organization must be able to amend its bylaws. It should not be too easy, but it should be possible. It is helpful to have a provision included in the annual meeting section that requires the leadership to institute a review of the bylaws on an annual or biannual basis.*

## VIII. PARLIAMENTARY AUTHORITY

### **Article VIII -Parliamentary Authority (Board of Directors and Board and Membership Model)**

- a) Robert's Rules of Order Revised shall govern the Community Association in all cases in which they are applicable and in which they are not in conflict with these bylaws.
- b) The above bylaws are hereby adopted and made immediately effective by affirmative vote by the undersigned directors this \_\_\_ day of \_\_\_, 20 \_\_\_.

*Adopting a parliamentary authority like Robert's Rules of Order gives the organization a fallback position if something comes up that is not addressed specifically in the bylaws.*

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Model***

***Membership Model***

***Board and  
Membership Model***

# SECTION 3

## COMPLETING THE APPLICATION FORMS