

# Figure 5:

## STEPS FOR ESTABLISHING A SUPPORTING ORGANIZATION

### 1. Identify qualified advisor experienced in non-profit legal issues to assist with establishing the organization's structure, organizing documents, and applications.

Because of the technical requirements of supporting organizations, having an advisor who has direct experience with SOs is essential to the future success of the organization. This individual should also be available to help the family with step two.

### 2. Review your goals for your family, your community, and your philanthropy, and determine appropriate giving vehicle.

Use the chart on page two, and hold discussions with family members, community leaders, and the advisor you have identified in step one. If you decide on the SO option, proceed with steps three through eight.

### 3. Review types of supporting organizations and determine which type to establish:

- Type I: Easiest requirements to meet but requires the SO to agree to a parent-subsidiary relationship

- Type II: Not appropriate for family goals

- Type III: Provides the most flexibility for the donor and family, but more difficult to establish and maintain

### 4. If establishing a Type I SO, choose a public charity to act as parent entity for your SO, and work with them to define how they will serve in this role.

Discuss issues such as minimum size of fund, successor advisors, annual fees, staff support, board makeup, and other areas.

### 5. Establish articles of incorporation and complete application for exemption electing supporting organization status.

This will require the assistance of the individual identified in step one, as well as discussions with the public charities you are planning on supporting.

### 6. Work with parent organization or other named PCs to determine founding board of directors.

You will need to ensure that more than half of the trustees for the supporting organ-

ization are not disqualified persons, as defined in the IRS guidelines. Allowing the public charity to name these individuals will help ensure that you meet these IRS requirements.

### 7. Satisfy IRS requirements for relationship with benefited public charities.

### 8. Create reporting and communications agreements with PCs.

Establishing clear communications early on will help to keep your relationship clear and legal, and will minimize misunderstandings in the future. Remember that not all organizations are comfortable being affiliated with supporting organizations—particularly of the Type III variety—and make sure that all public charities that you plan to name in your articles of incorporation are aware of their relationship to your SO.