Rooted Together

Nurturing Your Mission

How Purpose Shapes Your Nonprofit

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An

Assured Impact

Educating Washington Charity Leaders

Presentation

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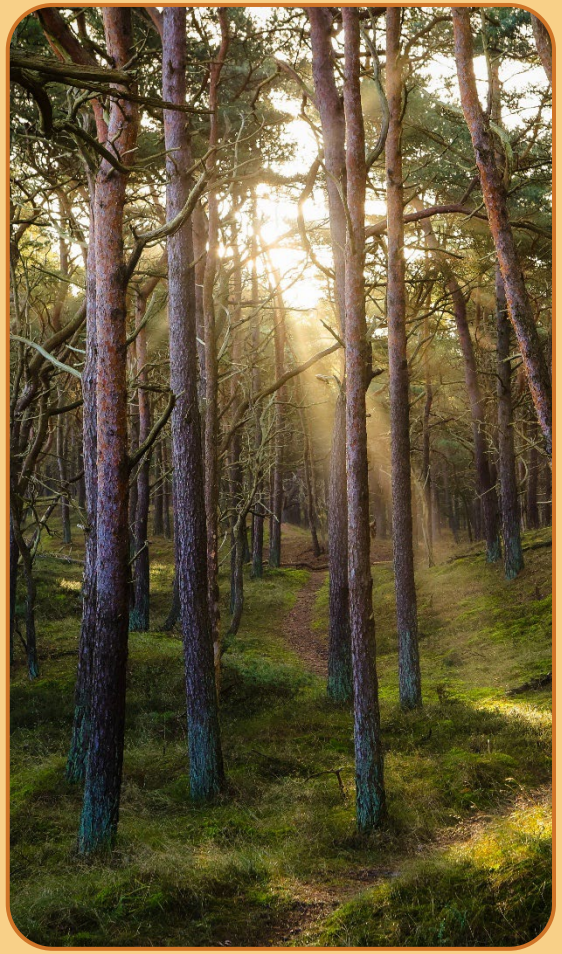
Note:

Presentation Focuses On:

- Washington Law
- Charitable Corporations
- Legal obligations

Presentation **Does Not** Focus On:

- Writing a mission statement



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Orca Rescue Charitable Alliance*



Vashon Island-based, domestic nonprofit corporation

Assets exceeding $15 million; annual revenues of $6 million

Solicits charitable contributions from Washingtonians

*not a real charity or nonprofit

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What is Your Mission?

Mission

Definition: A specific task with which a person or group is charged

Interchangeable with “Purpose”

The legal foundation of the nonprofit – it defines the organization’s purpose and scope of activity

Determining Your Mission

By your mission statement?

At [redacted], we believe that community is more than a place. It's the shared understanding that our joy and well-being are tied to one another. Every day we work with nonprofits, philanthropists, and partners like you to strengthen community by igniting powerful philanthropy and advancing long-term solutions. Because it takes all of us to create a joyful region where every person can thrive.

By what you tell the IRS?

Part I Summary

1 Briefly describe the organization's mission or most significant activities:
IGNITE POWERFUL & REWARDING PHILANTHROPY TO MAKE SEATTLE A STRONGER VIBRANT COMMUNITY FOR ALL.

By your charities registration?

Summarize Charitable Purpose: TO IGNITE POWERFUL AND REWARDING PHILANTHROPY TO MAKE GREATER SEATTLE A STRONGER, MORE VIBRANT COMMUNITY FOR ALL.

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Determining Your Mission

By Your Articles of Incorporation

The purposes for which this corporation is formed are to operate exclusively for charitable or educational purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, including, but not limited to:

(a) To receive, invest and administer funds and other properties and to use them and the income and increment thereof for eleemosynary, charitable, educational or philanthropic purposes and for the support of other charitable endeavors of like character and purpose.

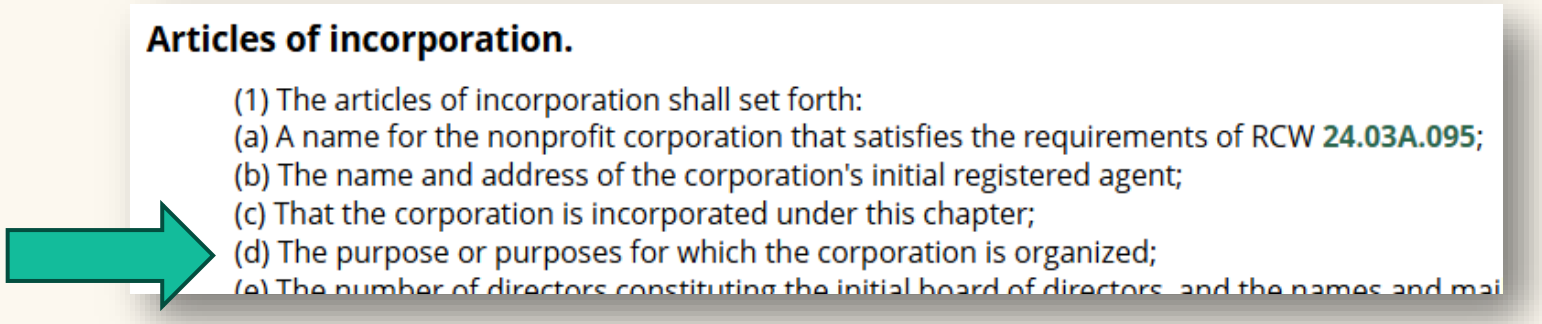
(b) To cooperate with and aid other corporations, societies or associations organized and conducted for cognate purposes, to the end of promoting the mental, moral, physical and social improvement of those who may be benefited thereby, without discrimination as to age, sex, color or religious inclination; to receive, hold, administer and disburse any moneys, securities, or other property, which may be transferred to this corporation, by gift, devise, bequest or otherwise, for any of the uses or purposes above set forth and to invest, conserve, use and disburse such moneys, securities, or other property, and the income derived therefrom, for the uses and purposes herein specified in accordance with the judgment and discretion of the trustees of [redacted] (the "Foundation").

(c) To make expenditures and appropriations of funds of the Foundation for the foregoing purposes in the State of Washington and elsewhere. When a donor directs in his or her instrument of transfer that an expenditure or appropriation be made to an organization located outside the state and described in Section 509(a)(1), (2), or (3) of the Code, such expenditure or appropriation may be made, provided that any expenditure or allocation shall be subject to the powers set forth in Article SEVENTH (a)(i). No expenditure or allocation out of state shall be made if (i) contrary to law, or (ii) the allocation would impose a tax liability upon the Foundation or the donor. No substantial part of the activities or expenditures of the Foundation shall be the carrying on of propaganda, or otherwise attempting to influence legislation except as may be permitted to Section 501(c)(3) organizations by the Code, and the Foundation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

Determining Your Mission

The Law (Nonprofit Corporation Act):

Purpose (mission) is established by articles of incorporation and elaborated by bylaws



RCW 24.03A.100(1)(d)

The Law (Caselaw):

To determine a corporation's purpose Courts "look at the intent expressed in its articles of incorporation and bylaws…"

Chappel v. Johnson, 35 Wn.App. 479 (2025)

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Determining Your Mission

Bylaws

May describe a nonprofit's purpose in more detail but the description must be consistent with the purpose established in the corporation's articles of incorporation.

Bylaws.

(1) The board shall adopt initial bylaws for the corporation.
(2) The bylaws may contain any provision for managing the activities and regulating the affairs of the corporation that is not inconsistent with law or the articles. Whenever a provision of the bylaws is inconsistent with a provision of the articles, the provision of the articles controls.

RCW 24.03A.125

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Determining Your Mission

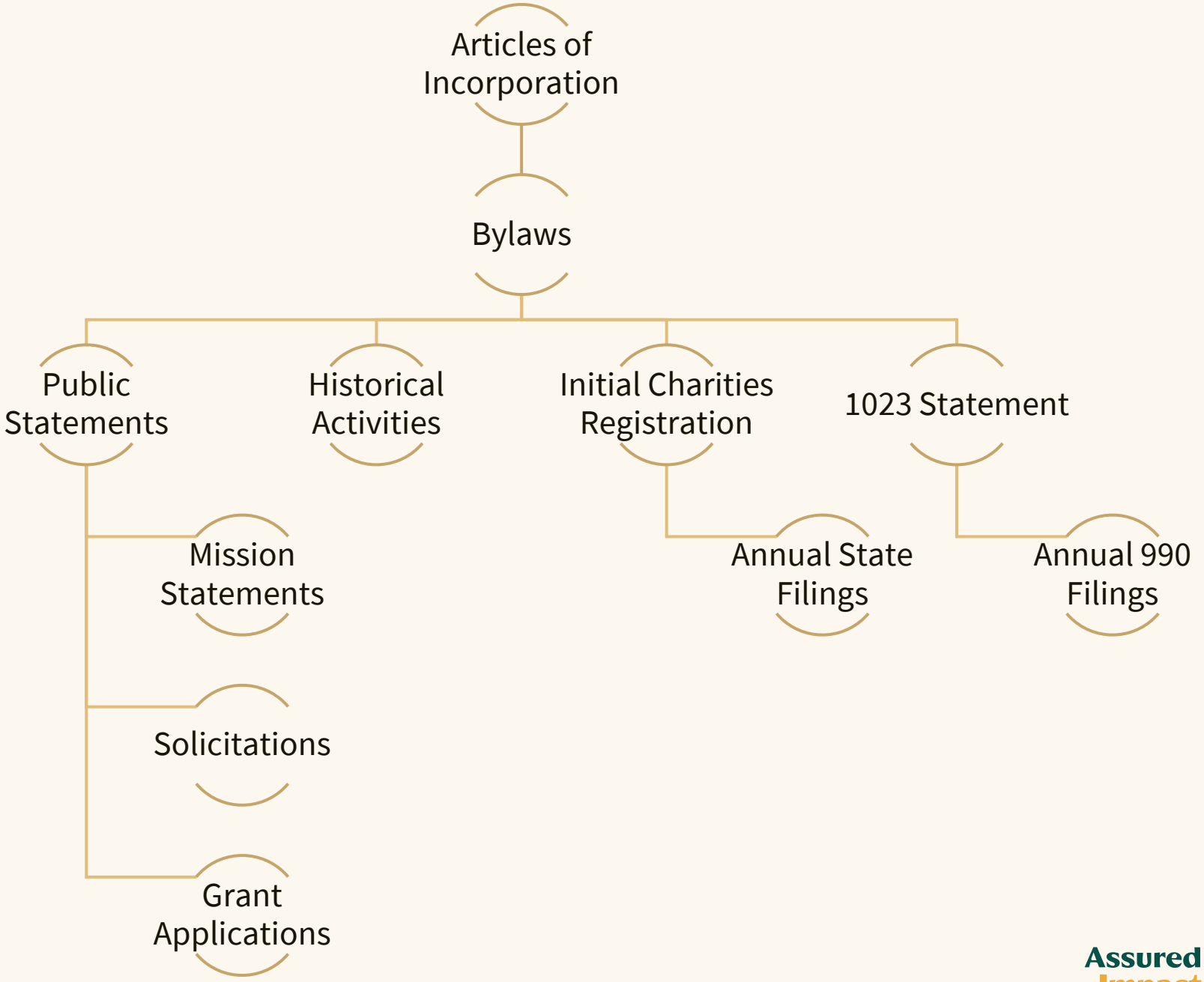
Broad Articles of Incorporation

Courts use contract interpretation principles to determine purpose when Articles are ambiguous

Looks at intent of the parties

Considerations:

- Subject matter
- Objective
- Surrounding circumstances
- Subsequent conduct of the parties
- Reasonableness of the parties' interpretations



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Orca Rescue Charitable Alliance



Articles of Incorporation:

O.R.C.A. is organized exclusively for charitable, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding sections of any future federal tax code.

Bylaws:

The Corporation will engage in scientific research and public education related to promoting the health and wellbeing of the Southern Resident orca whale populations in the Puget Sound.

What is its purpose?

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Why Your Mission Matters

Mission as Legal Foundation

Stated Mission:

Limits activities and scope

Determines what laws apply to your organization

Grants access to federal (and sometimes state) tax exempt status

Creates restrictions on the use of assets



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Charitable Corporations

"A domestic nonprofit corporation that is operated primarily or exclusively for one or more charitable purposes"

RCW 24.03A.010(5)

A purpose is charitable if:

a) It would make the corporation eligible for exempt status under 26 U.S.C. § 501(c)(3)

b) It is considered charitable under other applicable law

RCW 24.03A.010(6)

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Charitable Purposes



Special Rules for Charitable Corps.

All property owned by a charitable corporation is charitable

RCW 24.03A.165(1)(a)

Distributions of charitable assets are strictly controlled

RCW 24.03A.155, .900, .906

Charitable assets cannot be diverted from charitable purpose

RCW 24.03A.165(2); *Chappel v. Johnson*, 35 Wn.App.2d 479 (2025)

Charitable assets cannot be distributed to insiders

RCW 24.03A.165(2)

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Special Rules

Restricted Assets

A **restricted asset** is…

- A gift that is
  - (a) Accepted by the corporation;
  - (b) not in trust; and
  - (c) subject to material restrictions or requirements contained in a gift instrument.

Must “reasonably comply” with all “material restrictions” or seek a modification

A **gift instrument** creates the restriction

- Solicitation, Grant Agreement, Donor Letter, Will

Special accounting obligations

Unrestricted Assets

Unrestricted Assets are everything else

Can be used for any purpose that **advances the organization’s charitable mission**

- Program Services
- Payroll
- Professional Services
- Office expenses, etc.

No gift instrument? No restriction.

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Gift Restrictions

Gift Instruments

A record or records under which property is

- Donated
- Transferred
- Granted
- Or Held

Donations made in response to a solicitation are restricted if

a) The solicitation was in the form of a record created; and
b) The donation, transfer, or grant of property was made within one year of the solicitation.

Charitable corporations must maintain gift instruments at least as long as they have assets restricted by them

This includes copies of solicitations

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Considerations for Restricted Assets

Accounting

- Segregate restricted funds from unrestricted ones
- Keep separate books & maintain those records
- Monitor with regular audits
- Integrate the asset into the budgeting process

Mission Consistency

- Does the restriction further the organization's mission?

Impossibility

- Can the restriction on the gift be accomplished?

Mission as Communication

Sets Expectations

Builds Trust and Credibility

Attracts the Right Stakeholders

Roots Public Identity

Communicates Values



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Communication with…



Donors

Volunteers



Clients

Grants & Contracts



Regulators

Mission informs donors about what you do and who you serve

Communication with…

Donors



Volunteers & Employees



Clients

Grants & Contracts



Regulators

Helps attract new volunteers and employees and enforces boundaries for existing ones

Communication with…

Donors

Volunteers



Clients

Grants & Contracts



Regulators

Informs clients what services your organization provides – and what it doesn't

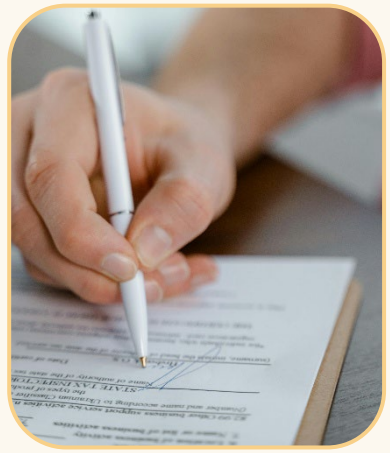
Communication with…

Donors

Volunteers



Clients



Grants & Contracts



Regulators

Eligibility for grants and contract awards may depend on your organization's stated purpose

Communication with…

Donors

Volunteers



Clients

Grants & Contracts



Regulators

Mission statements explain, generally, what your organization does with the charitable assets it holds

Mission as Communication

- Creates a basis for accountability
- Builds Trust and Credibility
- Promotes Cause Alignment
- Signals service area and population
- Explains priorities



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Mission Creep

Mission Creep*

The gradual or incremental expansion of a project or mission beyond its original scope, focus, or goals

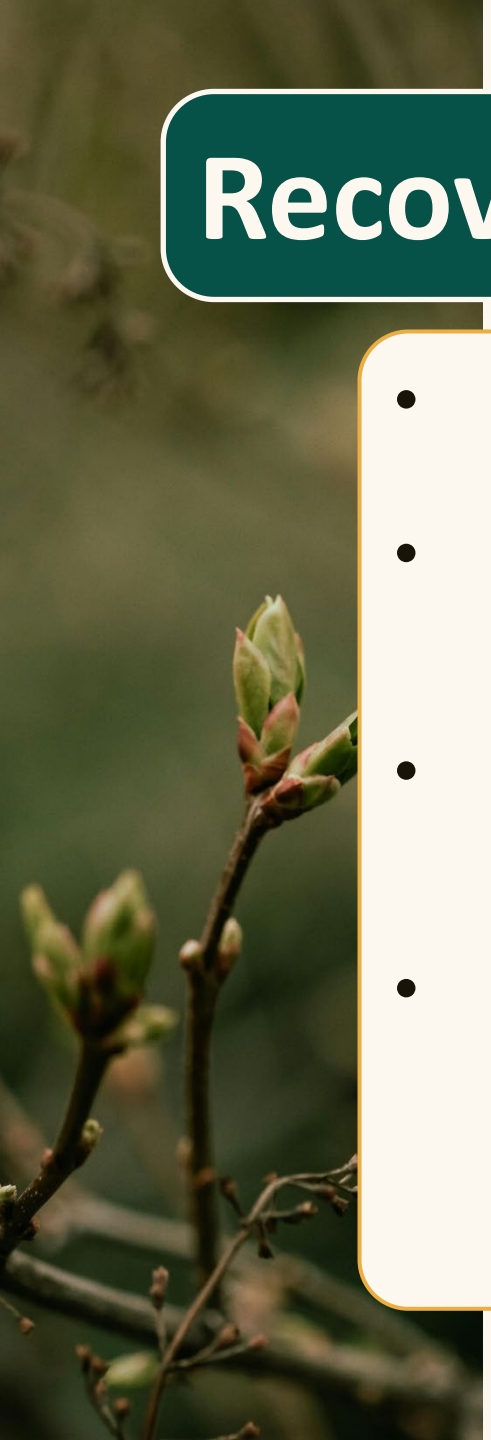
***AKA Mission Drift**

Mission Creep Dangers

- Erodes Trust
- Violates Fiduciary Duties
- Risks Tax-Exempt Status & Regulatory Enforcement
- Can Trigger Legal Liability
- Signals Governance Breakdowns

Maintaining Mission Fidelity

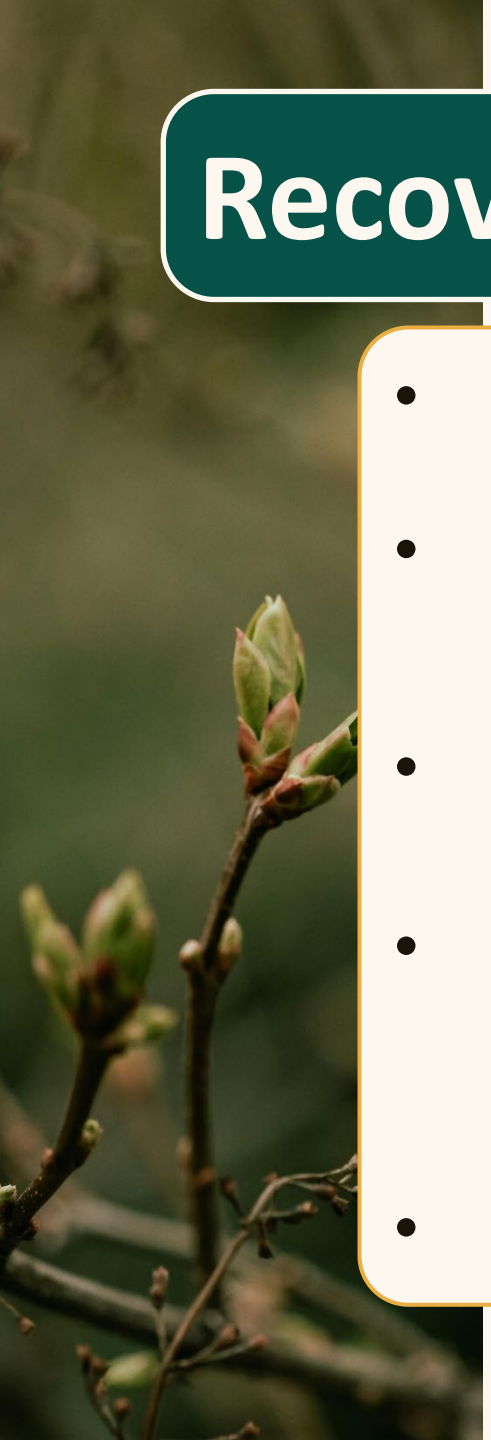
- Review mission regularly
- Assess activities: *Does this advance our stated mission?*
- Include mission-alignment finding requirements
- Conduct annual audits comparing activities to mission
- Don’t accept funding or gifts inconsistent with mission



Recovering From Mission Creep

- Identify it as a problem
- Investigate how it happened
  - Intentional vs gradual (decisions that accumulated over time)
- Be transparent
  - Especially with major donors and grantors
- Sunset drifted programs
  - Accommodate clients who will be impacted
  - Address gift restrictions
  - Prioritize ending activities that create legal or reputational risk

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Recovering From Mission Creep

- Examine governance structures
- Develop communications strategies
  - Frame the fix as a return to organizational strength
- Develop a revised strategic plan
- Re-examine your mission
  - Genuinely outdated or too narrow?
  - Too nebulous?
- Consider a change

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Changing Missions

Changing Missions

Corporations may change their purposes

RCW 24.03A.135

Process:

- Amend Articles of Incorporation and Bylaws

  RCW 24.03A.640-.700

- File Amended Articles with Secretary of State

  RCW 24.03A.665



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Changing Missions: Charitable Corps

A charitable corporation may amend its mission/purpose…

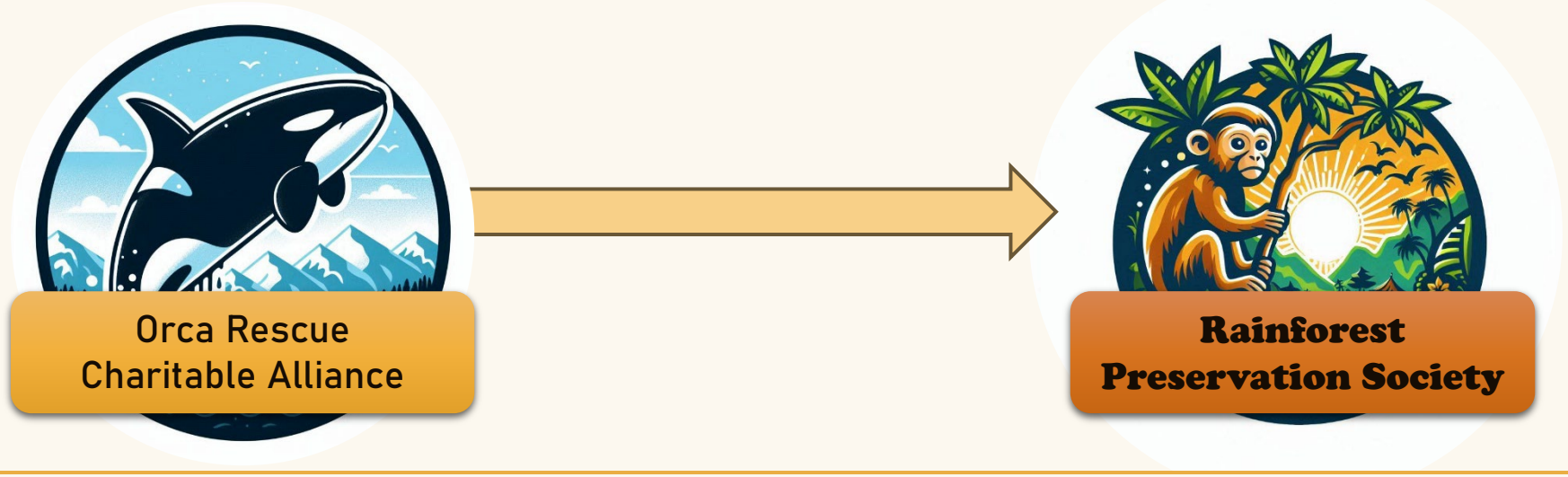
BUT

It must:

1. Ensure all charitable assets are preserved for the original charitable purpose
2. Provide that gift restrictions remain in place unless modified (RCW 24.03A.190)
3. Provide notice of a “major change” on its next annual report (RCW 24.03A.075)

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Changing Missions: Charitable Corps



O.R.C.A. files Articles of Amendment:

Changing its name to Rainforest Preservation Society

Changing its specific purpose:

> The Corporation will engage in scientific research and public education related to promoting the health and wellbeing of South American and South-East Asian jungles and the animals who reside therein.

Changing Missions: Restricted Gifts

Restrictions on gifts can be modified if

a) Donor consents (in writing)
b) Restriction's terms are unlawful, impracticable, impossible to achieve, or wasteful
c) Attorney General and other interested parties execute a binding agreement
d) Court approves
e) Other

Procedure can be complicated – consider talking to a lawyer

Takeaways

The charitable corporation's purpose controls

Charitable assets may not be diverted from the charitable purpose

Use restricted assets in a manner consistent with the purpose stated in the gift instrument

Engage in appropriate bookkeeping and accounting and maintain those records