

# How to Start a Nonprofit Organization

## STEP 1: DEVELOP AN IDEA

I'm guessing that if you are reading this, you already have an idea of the organization that you want to start.

- What cause are you working for? For example, breast cancer awareness, homelessness, child abuse, etc.
- Who will the beneficiaries be for the service and work you perform?
- What is your mission statement?
- What is the vision you have for your organization? In other words, what would the world be like if you are successful with your organization?

## STEP 2: RESEARCH

Before you start filling out and filing paperwork, it is important to make sure you really need to start another nonprofit.

- Are there other nonprofits out there doing what you want to do? It will be more difficult to raise funds and make a difference if there are multiple organizations trying to do the same thing.
- Can you collaborate with an already established organization?
- How large is the issue or cause you are seeking to promote?

## STEP 3: DECIDE AND REGISTER YOUR NAME

Select a unique name that describes the mission and vision of your organization. Also, try to find a name that the public will remember and connect to your cause. For instance, "Charity:Water" matches their organization's mission, which is to provide clean drinking water to communities around the world.

Your organization's name cannot be the same as any other for-profit or nonprofit's name. This isn't as easy of a task as it might sound, so here is a resource to help guide you through the steps:

- Make Sure Your Proposed Business Name is Available

Some states require you to have certain identifying words in your name such as "incorporated," "limited," or "corporation," so be sure to check out your state's requirements before becoming too attached with a name.

Once you have decided on the name of your organization, it is time to register your nonprofit's name.

## **STEP 4: RECRUIT BOARD OF DIRECTORS**

While you are forming a nonprofit organization, the organization is a legal entity of its own. This means that no one personally owns a nonprofit organization (as opposed to a private business before it goes public). Therefore, nonprofit organizations are managed by a Board of Directors.

Each state has its own requirements for the amount of directors, but typically boards range anywhere from 3 individuals to 25.

When recruiting a Board of Directors, look for individuals who believe wholeheartedly in the mission and vision. It is also helpful to have board members on your team who have experience fundraising and are familiar with both the business and nonprofit sectors.

## **STEP 5: INCORPORATE YOUR NONPROFIT**

Incorporating your organization will involve filing articles of incorporation with your state. This is a necessary step to obtain your 501(C)(3) tax-exempt status with the IRS.

Generally you will incorporate your organization within the state that you are situated in. There may be other options, though, because if you are serving a population outside of the state where you are located in, you might want to incorporate your organization there.

Necessary tasks:

1. Decide where you will incorporate
2. Research on specific state requirements (see The Foundation Center for more information)
3. Create and sign your nonprofit's Articles of Incorporation

What is included in the Articles of Incorporation?

- Your organization's business name and address
  - Your corporate purpose (typically this has to do with the mission of your organization)
4. File your Articles of Incorporation with the Secretary of State Office (involves a filing fee)

## **STEP 6: FILE FOR EMPLOYER IDENTIFICATION NUMBER**

Filing for your EIN number allows the nonprofit organization to hire employees and pay their staff. It is also a requirement for the 1023 tax-exempt form that you will be filing.

Form: SS-4 Application for Employer Identification Number

File: File the form with the IRS

## **STEP 7: WRITE NONPROFIT BYLAWS**

The nonprofit bylaws are designed to outline the standards and procedures of your organization. This includes information such as the name of your organization, the directors, how meetings are held, etc.

### **STEP 8: APPLY FOR TAX-EXEMPT STATUS**

In this step you will be filling out and filing document 1023 with the federal government. Upon receiving approval from the federal government, you will then file with your state government. This is the step that provides you with your 501(C)(3) status and documentation.

### **STEP 9: MAIL APPROPRIATE INFORMATION**

Mail your Bylaws, Articles of Incorporation (stamped with State Division of Corporation), and the IRS Form 8718 with the appropriate user fee to the address found on form 8718.

### **STEP 10: PREPARE AND FILE A CHARITABLE SOLICITATION PERMIT AT THE STATE LEVEL**

Filing your charitable solicitation permit will allow others to donate to your organization. This is a key step in being able to fundraise for your organization. Many states allow you to begin receiving donations from the point of filing your 1023 form, but make sure to check out the rules for your specific state.

### **STEP 11: OBTAIN BUSINESS LICENSES AND PERMITS FOR YOUR CORPORATION FROM THE FOLLOWING:**

- The federal government
- Your state government
- Your local government

### **STEP 12: OPEN A SEPARATE BANK ACCOUNT FOR YOUR NONPROFIT**

Since the nonprofit organization is not owned by any one person, it is imperative that there is a separate bank account for all nonprofit activities.

### **STEP 13: PREPARE AND FILE APPROPRIATE REPORTS**

- IRS Form 990