



STEPS TO SETTING UP A NONPROFIT ORGANIZATION

This summary gives an overview of what you will need to organize a nonprofit organization. First and foremost, nonprofits (in this case 501(c)3 organizations) are organized around the principle of community benefit. They exist to meet needs and improve the community. Nonprofits serve people in need, work to improve the environment, shape public policy, and advocate for change.

Step One: Organize

1. Create a Mission Statement

Your mission statement tells everyone who you are and what you do. It should contain these three elements:

- ✓ A Cause or Who You Serve (What matters? Who is important?)
- ✓ An Action (What are you doing?)
- ✓ A Result (What change can you see?)

2. Develop Program Plans & A Budget

- A. You will need to describe in detail exactly what you plan to do programmatically. This includes exactly whom you plan to serve and by what means.
- B. Once you make those determinations you will need to create a budget forecast for your first three years. This includes all expected forms of income (grants, donations, fee for service, etc.) and necessary expenses to operate your business and deliver the programs described.

3. Develop a Fundraising Plan

- A. Identify the likely sources of income upon which you can rely to support your cause. Grants alone are rarely enough to support organization over the long term. If you are planning to raise money through grants, do research as to what foundations are likely to fund your specific cause.
- B. The Chaplin Group can perform research for you based on your mission statement.

4. Draft Bylaws

Your bylaws are the constitution that governs your organization. Read more about what should be in your bylaws <https://thechaplingroup.net/writing-nonprofit-bylaws>



5. Check Availability of Your Trade Name

- A. This step is not absolutely necessary as the name will be established when you file your Articles of Incorporation, however it will ensure that no other entity takes the name prior to your filing.
- B. There is a fee of to reserve a name in advance of filing Articles of Incorporation

6. Develop a Conflict-of-Interest Policy

- A. This policy will assure that conflicts of interest are both avoided and mitigated when decisions are made regarding the use of organizational resources and/or assets.
- B. A conflict-of-interest policy and accompanying declaration of interest statement will also support the designation of board members who will be able to act in the best interest of the organization.

7. Select a Board of Directors and Elect Officers

- A. This should be a group of 3-7 unrelated individuals that will be responsible (legally) as fiduciaries for the organization's governance, finances, and legal compliance.
- B. The IRS will be looking to see that your board is comprised of "unrelated" individuals – related is considered either familial or through business partnerships

8. File Articles of Incorporation with the State Department of Assessments & Taxation (SDAT)

- A. Tax-Exempt Non-Stock Articles of Incorporation must be filed. In order to have articles that will qualify your corporation for federal 501(c)3 tax-exempt status, you must have a dissolution clause that meets the requirements of the IRS indicating that if your organization is dissolved, "assets will be distributed for an exempt purpose described in section 501(c)3, or to the federal government, or to a state or local government for a public purpose."
- B. File with the Secretary of State or your state's Department of Assessments and Taxation

9. File Trade Name Registration Form (If the organization is using a name other than the one contained in the Articles of Incorporation)

10. Obtain Federal Employer Identification Number (EIN) from the IRS

- A. This is a form outlining the information about your nonprofit.
- B. It can be completed online, faxed or mailed.

11. Hold Organizational Meeting

Board members identified in the Articles of Incorporation elect slate of Board Members (can be the same group or a different group of individuals). Bylaws are ratified. Meetings minutes are taken to create a record of the meeting.



Step Two: Obtain Federal Tax-Exemption Determination

12. Complete and file Federal Form 1023 or 1023EZ if seeking 501(c)(3) status

- A. Filing this form will require the purpose, program descriptions, budget, and bylaws identified above. You will also need a copy of your Articles of Incorporation and should include a copy of the minutes from your Organizational Meeting.
- B. There are fees associated with the filing of this form.
- C.

Step Three: Register for Charitable Solicitation

13. Charitable Solicitation

- A. If the organization will be soliciting contributions, it must comply with the requirements your state's Solicitations Act. With certain exceptions, registration is required prior to soliciting charitable contributions.
- B. These provisions also apply to if your organization's formation is out of the state that you will be directly soliciting.

Step Four: State Filings After Organization Receives 501(c)(3) Determination

14. File for state sales tax exemption

This is required to obtain a sales tax exemption

Step Five: Maintain Status

15. File Personal Property Return

16. File Form 990-N, Form 990-EZ, or Form 990 to IRS based on annual gross receipts

17. File annually with the Charitable Organizations Division Office of the Secretary of State if not filing IRS Form 990

Step Six: State Tax Exemptions

18. Apply for Property Tax Exemption

19. Obtain State or Local Licenses/Permits



Step Seven: If you have Employees or Independent Contractors

- 20. Pay state employment and unemployment taxes**
- 21. Pay federal employment taxes**
- 22. Pay workers' compensation insurance**
- 23. Display required posters**