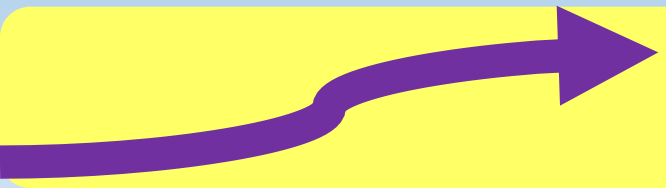




Pathways for Addressing Social Needs: Creating the Organizational Structure

Developing the Organizational Framework for the
Program/Project





Overview

- In order to be successful in meeting the mission and vision for your program/project, you need to choose the right organizational structure to effectively accomplish the work.
- Three possible organizational structures to consider include:
 - Voluntary organization
 - Operating the program/project under a fiscal sponsor
 - Creating a formalized 501(c)(3) organization
- In addition to the forementioned organization types, there are other business structures to consider such as an individual proprietorship, partnership, and corporation.

Comparing the Three Options

Organization Type	Benefits	Drawbacks
Voluntary Organization	<ul style="list-style-type: none">• Less complex to develop• Might be a good option for smaller programs/projects with a limited scope or timeframe• Useful structure for projects with a very limited budget• Easy to disband when the project is complete	<ul style="list-style-type: none">• Individual exposure to liability if something goes wrong• Commitment of the volunteers to the program/project• Lack of a formal structure may impact decision-making• Ability to get funding/grants• Legitimacy of the project to the community and program participants.

Comparing the Three Options

Organization Type	Benefits	Drawbacks
Fiscal Sponsor	<ul style="list-style-type: none">• Good option if don't want to form a 501(c)(3)• The fiscal sponsor can offer a full range of services• Offers liability to protect individuals if something goes wrong• Provides the organizational structure to the program/project• Able to employ staff• Offers the structure to apply for grants/external funding	<ul style="list-style-type: none">• May be a costly option based on the fees charged by the fiscal sponsor• Independence of the program and maintaining its identity under the fiscal sponsor• Changes in the relationship with the fiscal sponsor• Competition for funding with the fiscal sponsor• Meeting the requirements established by the fiscal sponsor.

Comparing the Three Options

Organization Type	Benefits	Drawbacks
Nonprofit/501(c)(3) Organization	<ul style="list-style-type: none">• Provides a formalized structure for the program/project• Recognized by the government• Tax advantages• Opportunity to get grants and fundraise• Offers liability and financial protection to individuals associated with the program/project• Identity and recognition by the community	<ul style="list-style-type: none">• Complex to establish compared to the other organizational options• Government reporting requirements• Requires individuals knowledgeable with operating a nonprofit• Time commitment to operate• Financial resources to sustain the organization• More complex to disband



Voluntary Organizations

- Many programs or projects start off as a voluntary effort of individuals interested in addressing a community need.
- Voluntary organizations usually do not have paid employees and the success of the program depends on the commitment of the volunteers to do the work.
- Voluntary organizations usually work well when the program/project has a limited scope or is operating temporarily.
- An identified leadership structure and policies are important to keep the program/project operating effectively and meeting its goals.
- This structure is common when a program/project has very limited funds to operate and depends on in-kind support to do the work.



Fiscal Sponsor

- Using a fiscal sponsor provides the program/project with the formal organizational structure without having to incorporate.
- This option may work best for organizations that started out as voluntary and are evolving towards becoming organized under a more formal structure.
- Fiscal sponsors offer the program/project the opportunity to hire staff, fundraise, apply for grants, and operate more like a formal business.
- Fiscal sponsors usually charge for their services based on a percentage of the budget for the program, a flat fee, or based on other factors.
- The relationship between the program/project and the fiscal sponsor needs to be clearly identified and a process to resolve any conflicts that may occur.
 - Changing dynamics between the fiscal agent and program also need to be addressed.



Formal Nonprofit/501(c)(3)

- Creating a nonprofit requires completing government paperwork at both the State and Federal level.
- This structure offers tax benefits to the program/project but requires a formal operating structure to conduct business.
 - Strict rules apply to both the activities and the governance of these organizations to ensure they truly fulfill their IRS-defined purposes. This means that the organization's work should solely serve its charitable purpose, not aiming to benefit shareholders or influence legislation in any way.¹
- A 501(c)(3) allows the organization to hire staff, fundraise, generate revenues, and provides a degree of legitimization to the program.
- This structure also limits individual (paid staff and volunteer) liability, including financial and legal, for organizational decisions and events that occur while doing business.
- Legal and financial expertise are advised when creating a nonprofit organization.



Steps for Creating a Nonprofit Organization

- Step 1: Select and register the name/title of your program and create your board.
 - Register your business name with your respective state and consider trademarking the name to provide federal protection if considering doing business nationally.
 - Select the individuals who will serve on the entity's board of directors/governing board.
- Step 2: Incorporate your program within your state.
 - Some states call this filing articles of incorporation, while others might call this a certificate of formation or something similar.²
- Step 3: Develop your bylaws and other corporate documents.
 - This step involves getting your Employer Identification Number (EIN), developing your bylaws, conflict of interest policies, and other formal organizational actions.
 - Some of the tasks in organizational actions are appointing your initial board of directors and their officer roles, choosing who will open the bank account, and officially approving and adopting your bylaws.³



Steps for Creating a Nonprofit Organization

- Step 4: Apply for tax-exempt status with the IRS by filing either Form 1023 or 1023-EZ.
- Step 5: File the appropriate paperwork with your state to be able to solicit donations.
 - If your nonprofit is engaged in fundraising activities, it is likely that it will need to file a registration form with any state where it is soliciting donations. The majority of states require registration in *advance of engaging in any fundraising or solicitation activity*. This requirement is known as "charitable solicitation registration."⁴
- Step 6: File the appropriate forms with your state (if required) to be exempt from state-level taxes.



Steps for Creating a Nonprofit Organization

- Step 7: File the appropriate tax forms with the IRS each year to keep your program's 501(c)(3) status active (Form 990, 990-EZ, or 990-PF).
 - Form 990 is the IRS' primary tool for gathering information about tax-exempt organizations, educating organizations about tax law requirements and promoting compliance. Organizations also use the Form 990 to share information with the public about their programs.⁵



Other Organizational Structures to Consider in Operating a Program

➤ Individual Proprietorship

- This is the simplest option for organizing a business in which individuals own and operate the business themselves.
- The finances and assets of the individual and business are held together which could pose financial risks for the individual's personal finances if the business fails.

➤ Partnership

- A partnership involves two or more individuals engaged in a business.
- The finances of the business flows through to the partners because this structure is not considered a separate business entity by the government.

➤ Corporation

- This is a formal business entity formed under state civil law and is owned by the shareholders.
- Corporate entities have bylaws, are usually governed by a board of directors/shareholders, and are subject to federal and state taxes.



Items to Consider When Developing the Structure to Operate a Program/Project

- What structure will allow the program/project to best meet its mission/vision?
- Is the program temporary or at a very early stage of development?
- Will paid staff need to be hired to operate and maintain the program?
- Is an organization that is already operating willing to serve as a fiscal sponsor for the program/project?
- Will fundraising and/or grants be required to launch and sustain the program/project?
- Do you have a committed board willing to guide and support the program/project?
- Do you have the expertise amongst the team to sustain the project and stay in compliance with government requirements?



Conclusion

- Options exist as programs/projects focused on addressing a community need are getting ready to launch.
- Picking the right organizational structure depends on several considerations.
- Programs may take different organizational forms from the time they are launched and as they develop and become more formalized.
- For programs/projects with a charitable purpose, the creation of a nonprofit organization might be the best option for moving forward.
- When creating a nonprofit, it is important to consider the legal, operating, and reporting requirements for this type of organization.
- Seeking advice from experts is beneficial when determining the best organizational structure to operate the program/project.



Online Resources

- **Charitable Allies**

- Provides information and resources on establishing a nonprofit organization.
<https://charitableallies.org/>

- **National Council of Nonprofits**

- Provides information and resources to assist nonprofit organizations.
<https://www.councilofnonprofits.org/>

- **State of California Franchise Tax Board**

- Provides information on the different organizational structures to organize a program.
<https://www.ftb.ca.gov/forms/misc/1123.html>



Reference Notes

¹Foundation Group, "What Is a 501(c)(3)? A Guide to Nonprofit Tax-Exempt Status," 2026, <https://www.501c3.org/what-is-a-501c3/> (accessed January 12, 2026).

²Robert Miller, "Everything You Need to Know About Starting a Nonprofit," Charitable Allies, 2026, <https://charitableallies.org/everything-you-need-to-know-about-starting-a-nonprofit/> (accessed January 14, 2026).

³Robert Miller, "Everything You Need to Know About Starting a Nonprofit," Charitable Allies, 2026, <https://charitableallies.org/everything-you-need-to-know-about-starting-a-nonprofit/> (accessed January 14, 2026).

⁴National Council of Nonprofits, "Charitable Solicitation Registration," 2026, <https://www.councilofnonprofits.org/running-nonprofit/fundraising-and-resource-development/charitable-solicitation-registration> (accessed January 14, 2026).

⁵Internal Revenue Service, "Form 990 Resources and Tools," 2026, <https://www.irs.gov/charities-non-profits/form-990-resources-and-tools> (accessed February 28, 2026).