CAPITAL CFO+

CAPITAL CFO+ FREE RESOURCE

STARTING YOUR NONPROFIT

essential steps for success

1. RESEARCH FEASABILITY AND NEED

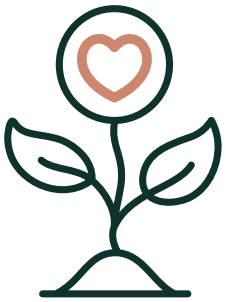
Before committing to starting a nonprofit, it is essential to research whether you can start a nonprofit and if your desired mission will serve an actual need in the community. Starting a nonprofit when it is not feasible or needed can mean the rapid failure of your mission. **Ask yourself if you are financially ready to start a nonprofit, as well as whether or not your nonprofit will fill an unmet need and will not duplicate services already being provided by an existing nonprofit.**

2. BUILD A STRONG FOUNDATION

Building a strong foundation starts from within. In addition to selecting the right board and team members, you will want to get crystal clear on your purpose. **Take time to write your mission, purpose and value statements, as well as choose the right name for your organization**; one that aligns with your mission and values and tells that world who you are and what your purpose is.

3. FILE ARTICLES OF INCORPORATION

When you file articles of incorporation, you are requesting to be recognized as a business by your state. Once approved, your initiative is legally a business. However, your business is not yet tax-exempt. To file your articles of incorporation, you must first find out what office in your state is the state's business filing office. The name of this office is different in each state as are the steps and documentation needed to complete this filing. To legally conduct business in your state, you must also apply for a federal employer identification number (EIN).



4. FILE FOR TAX-EXEMPT STATUS

The process for filing for tax-exempt status varies depending on the type of 501(c) organization that you seek to form. To file for 501(c)(4) tax-exempt status, for example, you must first register your 501(c)(4) by filing Form 8976 using the Form 8976 Electronic Notice Registration System. Then, you must file Form 1024-A to request tax-exempt status. In contrast, to apply for 501(c)(3) tax-exempt status, you must file Form 1023 or Form 1023-EZ.

5. MAINTAIN TAX-EXEMPT STATUS

Maintaining your tax-exempt status is an ongoing process. Your bylaws, records and state and federal filing laws are the keys to doing so. Your long-term tax-exempt maintenance plan should include adhering to your bylaws, keeping detailed records, filing federal tax forms annually, and filing state tax forms annually.