



## Starting a Nonprofit

### Ten “First Questions” to Ask Yourself –

1. Why do I want to start a nonprofit? Do I know my real motivation?
2. What cause am I serving? Who is my audience? Who are the groups/people I’m serving?
3. Is there already a cause doing what I want to do in my community or area? Could I help them instead? Have I volunteered in this area for a while to be sure I’m dedicated?
4. Have I searched the internet to locate initiatives in other cities that may have already created a template I can follow to cut months and years off of my start-up time?
5. Do I have extra time to devote to a cause? If so, how much per week/month?
6. Am I ready to give the cause a significant portion of my time and resources?
7. Am I willing to take the time to set it up right legally, create a business plan, and execute the initiative for the long-term?
8. Could I do what I’m doing by working with a fiscal sponsor (a 501c3 approved nonprofit by the IRS) who’s willing to handle most of the legal and board-related side of the cause for a negotiated fee until I know whether I can attract volunteers, donors, and interest?
9. Have I researched the steps to initiate a nonprofit through the Internal Revenue Service? Am I willing to persevere if the process takes months or a year?
10. Am I willing to ask people for money, to learn to fundraise and to persist in doing so?

### Setting Up Your Nonprofit

#### 1. Determine the purpose of the organization.

Develop a succinct mission statement that describes the purpose of the organization's existence. To be eligible for tax-exempt status from the IRS, you must have one or more exempt purposes, as defined by the IRS -charitable, educational, religious, scientific, literary, fostering national or international sports competition, preventing cruelty to children or animals, and testing for public safety.

## **2. Determine the structure of the organization.**

This stage should include determining the type of nonprofit organization that you will form. Do you need or want to be tax-exempt or not? If so, what type of tax-exemption? Do you want to be a membership organization or governed by a board of directors who elect their own successors?

## **3. Choose your board of directors.**

Your board will help you transform your ideas into reality by helping establish goals and fundraising strategies. What interests or constituencies should be on the board?

## **4. Write bylaws.**

Your bylaws will guide your organization's day-to-day operations. These should be drafted carefully and may require the assistance of an attorney experienced in nonprofit law to reflect the proper power relationships among those with an interest in the group and to make sure they are clearly written.

## **5. File Articles of Incorporation with the Secretary of State.**

The Articles of Incorporation is the document that legally creates your organization. It does not give your organization tax exemption -you must apply with the IRS for tax exemption status.

## **6. Develop a strategic plan and budget, including fundraising plans.**

A strategic plan will help you outline the steps needed to fulfill your organization's goals, determine your staff needs, and establish operational priorities for the upcoming year and beyond. The strategic plan should determine your budget priorities, identify potential donors, establish bookkeeping practices, and delineate fundraising activities.7. Establish a system for accounting and record keeping. A protocol should be established for keeping all your organization's official records (such as board meeting minutes and financial reports) and records should be preserved for the life of the organization. Establishing written, board-approved, financial and internal management policies and procedures is essential for the organization's success.8. Obtain an EIN number from the IRS. You'll need this number to apply for tax exempt status, open a bank account, file tax returns with the IRS and withhold your employees' income tax. You can get the number over the phone by dialing 1-800-829-4933.9. Request recognition of tax-exempt status from the IRS. To receive 501(c)(3) tax-exempt status from the IRS, you must fill out an IRS Form 1023 form. When the IRS has determined that your organization qualifies, it sent you a Letter of Determination. Typically, the IRS takes 3-6 months to process the application. 10. Register with your new business with the State Tax Commission

if you will have employees or retail merchandise. You must register your new business organization with the Idaho State Tax Commission if you have employees or if you will be selling retail. By registering, you will be sent information regarding workers'

Be sure to withhold employment taxes for the IRS.

Nonprofit employers are required to withhold their employees' income and FICA taxes and submit these to the IRS regularly. Failure to do so can result in significant fines and potential personal liability for the responsible officers.

## **12. File annual IRS tax exempt returns (Form 990), if required.**

Most nonprofits must file an annual tax-exempt organization return in the Form 990 series which details your organization's income, expenditures, and activities. Depending on your financial activities, you will file a Form 990, Form 990-EZ, or Form 990-N.

## **13. Establish personnel policies.**

Before hiring employees, the board of directors should develop written personnel policies. They can be expanded as the organization develops but should cover basic operational procedures.

## **14. Obtain liability insurance for your organization.**

Like the business community, nonprofits are exposed to legal risks. While Idaho law does protect members of boards of directors from liability in most cases, good practice suggests that nonprofits purchase directors and officers and other liability insurance.

## **15. Consider obtaining a nonprofit bulk mail permit from the U.S. Post Office.**

If your organization will be doing any large mailings, you may want to obtain an imprint authorization for bulk mailing. The permit provides a discount on the cost of mailing if you are sending at least 200 pieces and the mailing is sorted and processed within the regulations of the Postal Service. Certain nonprofit organizations may qualify for reduced rates.

## **“Starting a Nonprofit” Resources**

- LegalZoom.com – low-cost legal services for setting up a nonprofit.
- Charity Net USA

[http://www.charitynetusa.com/nonprofit\\_startup.php?gclid=CLSi1sWvmaQCFcpl7Aod21-FFQ](http://www.charitynetusa.com/nonprofit_startup.php?gclid=CLSi1sWvmaQCFcpl7Aod21-FFQ)

- Free Management Library

[http://managementhelp.org/strt\\_org/strt\\_np/strt\\_np.htm](http://managementhelp.org/strt_org/strt_np/strt_np.htm)

- WikiHow: How to Start a 501c3 Nonprofit Organization

<http://www.wikihow.com/Start-a-501c3-Nonprofit-Organization>

- BoardSource: Starting a Nonprofit Organization

[http://www.boardsource.org/dl.asp?document\\_id=17](http://www.boardsource.org/dl.asp?document_id=17)

## **Nonprofit Business Plan Resources**

Most funders want to see a business plan, even for a nonprofit.

<http://www.businessplanmaster.com/free-sample-business-plan-for-nonprofit.html>

<http://www.ctcnet.org/resources/toc.htm>

## **Acknowledgements**

Marcia Bloomberg, The Bloomberg Group

## **For More Information**

If you have questions about how to set up, promote, market, or partner your nonprofit with a business or other nonprofit, please don't hesitate to contact me. I would enjoy speaking with you about it. You may reach me by calling: 352-589-5981

I also suggest subscribing to the [NICENetwork](http://www.NICENetwork.org) monthly newsletter on our website  
([www.NICENetwork.org](http://www.NICENetwork.org))

I also recommend purchasing [The Power of One](#), a book under our "Resources" link that will inspire you as you grow and develop your nonprofit initiative.

I wish you all the best on your new adventure!

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