

Knowledge Base



Q: How do I start a nonprofit organization?

A: Starting a nonprofit organization can be an inspiring way to give back to your community and help those in need. However, it is important to understand all of the steps involved in this process before moving forward. Growing and sustaining a nonprofit may take years of effort and a great deal of determination.

The information provided here is intended to offer general guidance on how to form a nonprofit organization. Please note that specific steps may vary for each state, and we recommend consulting with a legal or tax professional for detailed assistance.

Step 1: Do Your Homework

- **Conduct a needs analysis.** Find out if organizations (nonprofit, for-profit, or government) are already doing the same or similar work in your community. It will be harder to get support if you are just duplicating existing services, versus improving or adding to them.

Also find demographic or population data that shows a need for your services, and explain how that need is not being met. [Where can I find demographic information about my community?](#)

- **Is a nonprofit right for you?** Public charities must be [organized](#) and [operated](#) exclusively for [exempt purposes](#) set forth in section 501(c)(3) of the Internal Revenue Code. If you want to start a nonprofit so you can get grants to pay yourself a salary, stop now and find another option. Realistically, many new nonprofits aren't even ready or eligible to get grants. Learn more about whether a nonprofit is right for you:
 - [Can My Business Be a Nonprofit?](#) (recorded webinar)
 - [What are the advantages/disadvantages of becoming a nonprofit organization?](#) (Knowledge Base Article)
- **Know the alternatives.** Forming a new nonprofit might be the most complicated way to act on your passion to serve your community. The biggest challenge for most new nonprofits is to develop and maintain reliable income streams. Estimates vary, but most experts agree that less than half of nonprofit startups survive beyond five years. Of those that survive, perhaps one-third are in financial distress.

Consider [alternatives](#) that can let you essentially operate as a nonprofit but with far less effort and cost. Thus, you can focus your efforts on serving your community right now while you develop experience and support that will serve you well if you eventually decide to form a separate organization.

Step 2: Build a Solid Foundation

- **Draft your mission statement.** Developing your mission statement is a critical first step. It communicates your nonprofit's purpose, what groups it serves, and how it will serve them. Every decision and action in your organization should support and further your mission. [Where can I learn about nonprofit mission statements?](#)
- **Write a business plan.** Just as with a for-profit business, a business plan can help a nonprofit describe how it intends to achieve its mission in more specific details. It also can be used to outline a new project or venture. [How do I write a business plan for a nonprofit organization?](#)
- **Develop your board.** As your nonprofit's governing body, your board fulfills a variety of roles and [legal responsibilities](#). In order to carry out these duties effectively, the board will change as your organization grows and matures. While [recruitment](#) is an important step in this process, a systematic approach to [board development](#), including orientation, training, evaluation, and the cultivation of prospective board members, is critical to ensuring its long-term success.

Step 3: Incorporate Your Nonprofit

Why should you incorporate?

- Having a formal structure will give credibility to your programs and services.
- The corporate structure limits the liability of the organization's officers and directors.
- The IRS requires organizing documents and governance policies and procedures that are usually associated with corporations.

Learn more about how to incorporate your nonprofit. Filings and fees will vary by state. Also note, incorporation registers your nonprofit, but it does not make it 501(c)(3) exempt.

Step 4: File for 501(c)(3) Tax-Exempt Status

Apply for exempt status with the Internal Revenue Service (IRS). Be aware, the user fee will be \$400 or \$850, depending on whether you expect your average annual gross receipts to exceed \$10,000 annually over a four-year period. It also can take 3-12 months for the IRS to return its decision, depending on how many questions the IRS has about your application. [Where can I get help filling out my incorporation and tax-exempt 501\(c\)\(3\) paperwork?](#)

Step 5: Ongoing Compliance

- **Register with your state's agency** that regulates charitable organizations and charitable solicitations (usually the Attorney General). If you plan to solicit contributions in other states, you will need to register there, too. Again, registration requirements will vary with each state. Learn more:
 - [Find your state's charity registration office >>](#) (separate website)
 - [Can a nonprofit organization conduct fundraising activities in multiple states?](#) (Knowledge Base Article)
- **Prepare for annual reporting requirements.** All exempt orgs must file some version of **Form 990** with IRS. Which version you file will depend on your total gross receipts for the year. Form 990 shows your finances, activities, governance processes, directors, and key staff which are open to public inspection. States have their own reporting and renewal requirements, too, and these can vary with each state. Thus, consider tracking your org's finances and activities in a such a way that will help these annual reporting requirements occur smoothly.
- **Follow the rules.** [What activities can jeopardize a nonprofit organization's tax-exempt status?](#)

Nonprofit Startup Resources by State

Use the **Nonprofit Startup Resources by State** map to view state-by-state nonprofit startup resources such as startup guides, nonprofit associations, legal support organizations, technical assistance, state filing agencies and more! [Use the map >>](#)



Learn more now about starting a nonprofit with our free recorded webinars or tutorials:

- [Establishing a Nonprofit Organization](#)
- [Webinar Series for Nonprofit Startup Organizations](#)
- [Before You Seek a Grant: A Checklist for New Nonprofits](#)

Books & Articles

Check title availability at our [libraries](#) and [Funding Information Network partners](#) or your local libraries.

- [How to Form a Nonprofit Corporation](#)
- [The Nonprofit Handbook: Everything You Need to Know to Start and Run Your Nonprofit Organization](#)
- [Starting and Managing a Nonprofit Organization: A Legal Guide](#)

[More books & articles»](#)

Selected resources below may also be helpful.

Web Sites

* indicates staff pick

[How to Start an NGO \[PDF\]](#)

The following presents ten steps, in general chronological order, that are useful in the formation of an NGO. This paper acts as a broad "how to" guideline and these issues may vary depending on each NGO.

[How a Private Foundation Can Use "Friends of" Organizations | Council on Foundations](#)

Written for U.S. grantmakers wanting to give overseas. Concludes that "a grant to a well-run "Friends of" organization can be an efficient means to fund an overseas project without having to conduct expenditure responsibility or equivalency determination.

[Foundation Center - Webinar - Before You Seek a Grant](#)

This free recorded webinar will provide you with a step-by-step checklist approach to help increase your organization's readiness for foundation fundraising. Geared for new nonprofits or community groups that lack exempt status.

[Governance and Related Topics - 501\(c\)\(3\) Organizations | IRS \[PDF\]](#)

IRS's recommended policies and practices for nonprofit governance, especially in regards to: Mission; Organizational Documents; Governing Body; Governance and Management Policies; Financial Statements and Form 990 Reporting; and Transparency and Accountability.

[FAQs About Applying for Tax Exemption | IRS](#)

The IRS provides answers to frequently asked questions about applying for exempt status, like how to obtain the right application and how long it takes to process the application.

[Starting a Nonprofit Organization | BoardSource \[PDF\]](#)

This booklet is designed to provide founding board members with answers to some important questions they should ask during the beginning phases in the life of an organization. Published in 1999.

[* Starting a Nonprofit Organization | Free Management Library](#)

Provides comprehensive advice and materials for anyone who is considering starting a nonprofit organization.

[Frequently Asked Questions about Form 1023 | IRS](#)

Answers from the IRS to frequently asked questions about Form 1023.

[* Help Filling Out Your 501\(c\)\(3\) Application | Form1023help.com](#)

Designed to help new non-profit organizations complete the Application for Exempt Status Under Section 501(c)(3) of the Internal Revenue Code.

[* Life Cycle of an Exempt Organization | IRS](#)

Provides information about points of intersection between organizations and the IRS. Includes explanatory information and links to forms that an organization may need to file with the IRS. The materials cover five stages in an organization's life cycle.

[Forming a Nonprofit Corporation | Citizen Media Law Project](#)

Outlines the general steps you need to follow in order to form a nonprofit corporation in compliance with local, state, and federal laws.

[* How to Start a Nonprofit | Minnesota Council of Nonprofits](#)

Provides alternatives to starting a nonprofit, stages of development, first steps, checklists, and other resources.

[Nonprofit Law Resource Library | Hurwit & Associates](#)

Information on nonprofit start-up issues, state filing and compliance, state statutes, international activities, governance and board questions, mergers and affiliations, nonprofit entrepreneurship, charitable contributions and more.

[Application for Recognition of Exemption | IRS](#)

Brief overview includes links to forms, instructions, publications, related information, and mini-course on applying for exemption.

[* State Association Directory | National Council of Nonprofits](#)

State nonprofit associations often provide checklists and local guidance for would-be nonprofits. These membership groups might also provide classes, technical assistance, or referrals to consultants.

[Webinar Series for Nonprofit Startup Organizations | Foundation Center](#)

Five free webinars on: Legal Essentials; Board and Governance Issues; Defining Mission and Vision; Effective Program Development; and First Fundraising Strategies.

[Publication 4220: Applying for 501\(c\)\(3\) Tax-Exempt Status | IRS \[PDF\]](#)

Contains detailed information on applying for tax-exempt status under section 501(c)(3) of the Internal Revenue Code. The pamphlet includes a listing of related IRS publications, web pages, and other resources.

[* Compliance Guide for 501\(c\)\(3\) Public Charities | IRS \[PDF\]](#)

Covers recordkeeping; activities that may jeopardize a charity's exempt status; required filings; governance considerations; changes to be reported to the IRS; required public disclosures; and resources for public charities.

[* Foundation Classification | IRS \[video\]](#)

18-minute animated film that explains foundation/public charity classification and public support. Also covers how to calculate public support test. Users can view outline, notes, and advance slides.

[Starting a Nonprofit Organization | Citizen Media Law Project](#)

This section is aimed at those seeking to start and operate a nonprofit corporation that is a public charity. Provides links and options as well as details about each step in the process.

[How to Start a Nonprofit Organization | National Council of Nonprofits](#)

"How do I start a nonprofit?" Because that is one of the most frequent questions we get asked, we thought we would share this five-step outline from a graduate-level class on how to create a charitable nonprofit organization.

[* Starting an NPO - Five tips and a warning | idealist.org](#)

The editor of the Nonprofit FAQ offers 'Five Tips and a Warning' about incorporating a new nonprofit.

[* The Public Support Test for 501\(c\)\(3\) Organizations | Sharinglaw.net](#)

Attorney Lisa Nachmias Davis provides step-by-step instructions for those wishing to calculate the test. Part of her guide, "Ten Steps for Starting a Nonprofit, Tax-Exempt Corporation in Connecticut".

[* Fees to Apply for Exempt Status | IRS](#)

Updated annually, these fees must be paid when applying to IRS for 501(c)(3) or other exempt status.

[Legal Responsibilities of US "Friends" Organizations | Hurwit & Associates](#)

For foreign organizations that want to raise funds in the U.S. by creating a U.S.-based branch or "friends" organization.

[WORLDLawDirect | Non-profit Law](#)

Topics about forming nonprofits, including specific issues such as gift handling and other FAQs.

[Nuts and bolts of starting a nonprofit organization in the U.S. | idealist.org](#)

The practical details (in the USA) of incorporating a nonprofit and filing for tax-exempt status.

[Applying for 501\(c\)\(3\) Status \(PDF\) | IRS Publication 4220](#)

The pdf article by the IRS covers the process of applying to tax exemption under section 501(c)(3). Good for finding specific publications for tax-exempt processes as well as for answering basic tax exemption FAQs.

[* Life Cycle of a Public Charity | IRS](#)

The IRS provides information, explanations, guides, forms and publications on all of these subjects - they are available through this IRS Web site. The illustration below provides an easy-to-use way of linking to the documents most charities will need as

[Law For Change | Legal Resources](#)

Offers comprehensive legal resources for nonprofit groups. Can be searched by jurisdiction (state) or topic.

[Things a U.S.-based nonprofit must \(and must not\) do | idealist.org](#)

Covers the rules and regulations a nonprofit must adhere to.

[Charter documents: the "constitution" for a nonprofit | idealist.org](#)

Links to and general information about charter documents.

[* State Filings for Nonprofits | USA.gov](#)

Find information in your state about incorporating your nonprofit organization and charitable activities.

[How to decide whether your start-up should be nonprofit or for-profit in 4 easy steps](#)

"An oversimplification" by Ben Wirz, Director of Business Consulting, John S. & James L. Knight Foundation. Slideshow presents basic questions that startups should ask themselves.

[* Help with the IRS Form 1023 for 501\(c\)\(3\) Nonprofit Organizations](#)

This free website explains the IRS form 1023 page by page and answers questions with references to successful applications and sample documents.

[Nonprofit Startup Guide | Harbor Business Compliance](#)

This comprehensive guide will help you choose a nonprofit structure, file formation documents, register for taxes, and register for fundraising. Includes state-by-state checklists and instructions.

[State Nonprofit Incorporation Forms and Information | IRS](#)

The table below provides links to websites of state officials providing information and forms for tax-exempt corporations.

[Sample 1023 Form \(PDF\) | Alliance for Justice](#)

Sample 1023 application for recognition of 501(c)(3) status with the IRS.

[The Things You Gotta' Do to Start a Nonprofit Organization | Nonprofit Coordinating Committee of New York](#)

A checklist of steps to forming a 501(c)(3) nonprofit organization in New York state, including legal documentation, tax considerations, and office management.

[How to Form a 501\(c\)\(3\) Nonprofit Corporation | Nolo](#)

Step-by-step outline for forming a nonprofit corporation. Links to several articles related to starting a nonprofit.

[* National Association of State Charity Officials \(NASCO\)](#)

Links to state offices that regulate charitable organizations and charitable solicitations.

[State Links | IRS](#)

Links to state government web sites with useful information on: state registration requirements for charities, taxation, information for employers, and more.

[Establishing A Nonprofit Organization | Foundation Center](#)

Free, text-only tutorial describes 12 steps in starting a nonprofit.

[6 Reasons NOT to Start a New Nonprofit Organization | Step by Step Fundraising](#)

Lists 6 reasons and alternatives to achieve the same goals.

[Alternatives to Forming a Charitable Nonprofit | American Bar Association](#)

Article discusses using an existing nonprofit, fiscal sponsorship, and donor-advised fund as options to forming a separate charity. By Gene Takagi and Emily Chan of the Nonprofit Law Blog. Published July/August 2009.

[Establishing A Nonprofit Organization | Foundation Center](#)

Free, text-only tutorial describes 12 steps in starting a nonprofit.

[Nonprofit Formation Documents: Articles of Incorporation, Bylaws, and Organizational Minutes | Nolo](#)

Primer on the most essential documents of a nonprofit corporation: articles of incorporation, bylaws, and organizational

minutes. These documents contain important rules about how you must operate your nonprofit.

Skill:

Startup & Dissolution