



**Caldwell Leadership Solutions LLC**

*Helping Nonprofit Organizations Stay in Control of Their Mission*

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**10 Steps to Starting a 501(c)(3)  
Nonprofit Organization  
CHECKLIST**

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# CALDWELL LEADERSHIP SOLUTIONS

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## Hello Nonprofit Leader,

On the following pages you will find a 10 Step Checklist that will help guide you as you begin your journey of starting a 501(c)(3) nonprofit organization. These steps are not all inclusive but does provide you with a working guideline that will assist you on your journey.

The information contained in this document does not constituent legal advice. We recommended that you consult a professional as you proceed.

We wish you the best!

Jimmy and Tonja Caldwell

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<p><b>STEP 1</b> □</p>	<p><b>Gain a clear understanding of the scope of a nonprofit organization.</b> A nonprofit corporation is a corporation formed to carry out a charitable, educational, religious, literary, or scientific purpose. A nonprofit corporation doesn't pay federal or state income taxes on profits it makes from activities in which it engages to carry out its objectives. The most common federal tax exemption for nonprofits comes from Section 501(c)(3) of the Internal Revenue Code.</p>
<p><b>STEP 2</b> □</p>	<p><b>Develop a mission statement.</b> Every nonprofit needs a mission statement: a clear description of the reason the nonprofit exists. Your mission statement informs everyone why you exist. Because all nonprofits are mission-driven, you must take care to define your mission clearly. The mission statement is designed based upon the organization's purpose, services, and values. Lastly, the mission statement should be (1) clear, (2) concise, and (3) operational.</p>
<p><b>STEP 3</b> □</p>	<p><b>Form a Board of Directors.</b> One of the fundamental tasks facing the founders of any nonprofit is establishing a board of directors to oversee the organization. The directors set policy for the nonprofit and are usually actively involved in the work of the corporation. Check your state requirement to determine the minimum size of the board-which is normally three. The size of your board should be determined by the organization's needs. However, make sure that you do not grow your board too large. The Board members should be supportive of the organization's mission and willing to give of their time and talents. Directors, who meet and make decisions collectively as the board of directors, have the authority (and responsibility) to manage and run the nonprofit corporation.</p>
<p><b>STEP 4</b> □</p>	<p><b>File Articles of Incorporation.</b> The primary corporate document for every nonprofit corporation is its articles of incorporation. A corporation comes into existence on the date its articles of incorporation are filed with the state corporate filing office. Articles of Incorporation (articles of organization, certificate of incorporation, certificate of formation, or charter) are official statements of creation of an organization filed with the appropriate state agency. Although preparing the Article of Incorporation is not difficult, you do need to include specific language to ensure that you'll receive tax-exempt status.</p>
<p><b>STEP 5</b> □</p>	<p><b>Draft the Organization's Bylaws.</b> The bylaws of a nonprofit corporation are its second most important document. Bylaws basically serve as a corporation's operating manual. Your corporate bylaws outline the operating rules for your nonprofit. Bylaws contain rules and procedures for holding meetings, voting on issues, and electing directors, appointing officers, and taking care of other essential corporate formalities.</p>

<b>STEP 6</b> <input type="checkbox"/>	<p><b>Develop a Budget.</b> For most nonprofit organizations, this is a challenging task. But remember, a budget is an expression in financial terms, of the plan of operation designed to achieve the objectives of an organization.</p>
<b>STEP 7</b> <input type="checkbox"/>	<p><b>Develop a Record Keeping System.</b> A good record keeping system is a must. Your organization is required by law to keep certain records. You should set up a corporate records book to store all your key documents. In addition to keeping records of important decisions, your nonprofit corporation must record any financial transactions in a double-entry bookkeeping system and keep other financial records in order to file an annual corporate tax return.</p>
<b>STEP 8</b> <input type="checkbox"/>	<p><b>Develop an Accounting System.</b> If you do not have someone on your board with a financial or accounting background, you should consider working with an accountant familiar with nonprofit organizations. Remember, that nonprofits are accountable to the public and their funders. Ensure that a system of controls is established when establishing the organization’s accounting practices.</p>
<b>STEP 9</b> <input type="checkbox"/>	<p><b>Apply for a Federal Employer Identification Number.</b> Regardless of whether or not you have employees, nonprofits are required to obtain a federal Employer Identification Number (EIN)—also referred to as the federal ID number. This number, which is available from the IRS, is used to identify the organization when tax documents are filed. Use Form SS-4 to apply for your EIN.</p>
<b>STEP 10</b> <input type="checkbox"/>	<p><b>File for 501(c)(3) Status.</b> Obtaining federal tax-exempt status is a critical step in forming a nonprofit organization—most of the real benefits of being a nonprofit flow from your 501(c)(3) tax-exempt status such as the tax-deductibility of donations, access to grant money, and income and property tax exemptions.</p> <p>To apply for tax-exempt status, you must complete either <b>IRS Form 1023</b>, <i>Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code</i> or <b>IRS Form 1023-EZ</b>, <i>Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code</i>.</p> <p>You can obtain a copy of Form 1023 from the IRS website at <a href="http://www.irs.gov">www.irs.gov</a> or by calling 1-800-TAX-FORM.</p> <p>You must also complete <b>IRS Form 8718</b>, <i>User Fee for Exempt Organization Determination Letter Request</i> and include with Form 1023. The fee is determined based on the amount of gross receipts your organization has or expects to receive annually (averaged over a four-year period).</p>
<p><i>Always consult a professional before proceeding!</i></p>	



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