

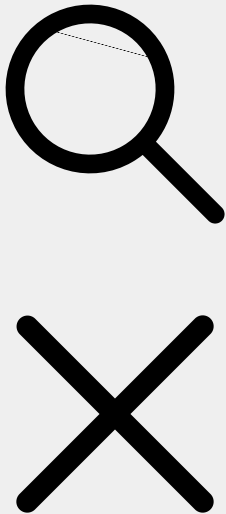


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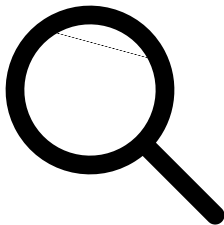
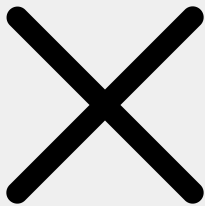
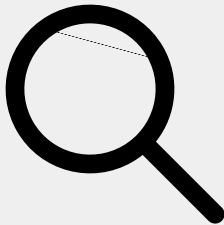
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How to Start a Nonprofit Organization

Written by [Lindsay VanSomereren](#)

On this page

Edited by [Dawn Daniels](#)

Updated on: September 20, 2024



Why use LendingTree?



Starting a nonprofit organization is a worthwhile way to help others and make an impact in your community, but you'll need more than passion and good intentions to face a maze of complex rules and regulations.

If you've got an idea that you're determined to pursue, we'll help you navigate the requirements for starting a nonprofit organization.

Key takeaways

It takes anywhere from two weeks to a year to start a nonprofit.

Running a nonprofit isn't too different from running a business — writing a business plan is essential.

Consider hiring a lawyer to make sure you understand how tax laws apply to your charity.

1. Research

Starting a nonprofit is a lot of work and requires a diverse set of skills. In order to boost your organization's odds of success and guide your decisions going forward, here are some of the most important questions to ask yourself:

- What will your costs be?
- Where will you get funding?
- Who will serve on your board of directors?

- How will your nonprofit address those problems?
- What problems will your nonprofit work to address?

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Start by researching the problem your nonprofit seeks to address, other nonprofits in your area and resources near you. Keep researching until you're able to answer those questions and feel like you have a good sense of your goals. Take notes and bookmark sites as you go — spending time up front researching will help you throughout each other step of the process.

2. Decide what type of nonprofit to open

Your nonprofit needs a tax-exempt classification in order to avoid taxation and make the best use of its funds. You'll also need to register your nonprofit with at least two levels of government: federal and state.

The federal tax code allows for dozens of different classification types. Here are some of the most common:

- **501(c)(3).** The most popular type of charity by far, this tax-exempt classification covers a broad range of charitable concepts across arts, science, religion, public safety and more.
- **501(c)(4).** This tax-exempt classification is meant for social welfare and civic leagues. They're popular among many political groups because they don't have to disclose their donors.
- **501(c)(6).** Organizations that focus on promoting certain businesses often file for tax-exempt status under this classification, such as pro sports leagues, local real estate boards and chambers of commerce.
- **501(c)(7).** Recreational clubs such as sailing clubs, sororities and fraternities or swim clubs can use this tax-exempt status if they follow certain rules, such as not discriminating against members.
- **501(c)(8).** Meant for fraternal societies such as the Knights of Columbus or the Freemasons, this tax-exempt status allows clubs to offer financial benefits such as life insurance.

3. Create a business plan

A good business plan can help your nonprofit attract good board members and even donors, and it may be required if you plan on applying for grants. It's not just a burdensome checklist item, either. A well-thought-out business plan will be your nonprofit's road map, guiding you at each juncture where you have to make critical decisions to best fulfill your group's mission.

A nonprofit business plan typically ranges from seven to 30 pages long and usually includes the following items:

- Table of contents

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- Customer Analysis
- Operations Plan
- Management Team
- Financial Plan

Tip:

Follow our [step-by-step guide to how to write a business plan](#) to save time and make sure you're including all of the important information you'll need.

3. Figure out your startup financing.

[Funding](#) is a crucial component of launching a nonprofit. Before you take any action to start an organization, you have to know where the money will come from to support it.

You have several funding options when starting a nonprofit:

Grants

Nonprofits can apply for [public and private business grants](#) to fund their organization.

Many grants are only available to certain groups and may come with strings attached regarding how you can spend the money. You may need to apply for grants or other funding from several sources in order to piece together the full amount of the funds you need.

Microloans

Nonprofits may be able to find small amounts of funding from [microlenders](#). A community finance development institution (CDFI) in your area could be a good source of funding as well since they also focus on community-

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Individual donations

Donations are the lifeblood of many nonprofits, and you should make it as easy as possible for people to give. Feature calls to donate prominently on your website and marketing materials, and have an option for donors to set up recurring donations.

Make these fundraising efforts front and center on your social media pages, especially when you're running donation drives and campaigns.

Research fundraising laws in your state

Before you can accept donations or contributions, you may need to register with a state agency to meet "charitable solicitation" requirements. Your state may require you to describe the types of fundraising activities the nonprofit is involved in.

If you employ professional fundraisers, they may also be required to register with the state. You may be required to renew your registration annually and **failing to do so could result in criminal penalties**.

4. File the proper forms.

Once you've done all the preliminary research, it's time to file the paperwork to establish your nonprofit and remain legally compliant. Filing requirements vary state by state and sometimes at the county or city level as well, but there are a few common forms all nonprofits are expected to complete:

Articles of Incorporation

Nonprofits must be incorporated in the same manner as for-profit entities. To become a corporation, you need to [file articles of incorporation](#), most commonly with your state's Secretary of State, a step you must take before applying for tax-exempt status.

This single form calls for information about your organization, such as the name, address, names of all incorporators and a statement of purpose. You would also need to designate a registered agent to represent your

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IRS Form 1023 for tax-exempt status

To apply for tax exemption as a 501(c)(3) organization, you need to file [Form 1023](#) with the IRS. Your application would also need to include a statement of your receipts and expenses, a copy of your articles of incorporation, a narrative explaining your activities as an organization and a copy of your bylaws. You may need to apply for tax exemption at the state level as well.

Corporate filings

Most states require nonprofit corporations to file an annual report with the state. The report includes information, such as your organization's address and registered agent, to the state agency that maintains corporate records of nonprofit corporations. [Requirements vary by state](#), with some states also requiring an annual filing fee.

5. Build your board of directors.

Your board of directors makes decisions about the organization as a whole and should have at least three members for voting purposes.

The board has several responsibilities: strategic direction, financial health of the organization and hiring and/or supervising the CEO or executive director. Boards are usually divided into committees that manage individual aspects of the organization.

In some ways, finding board members can serve as a barometer for your nonprofit's success. If no one wants to volunteer to serve as a board member, it could be an indication of your group's overall mission and strategy, especially since board membership is generally an unpaid position. Assuming you have people willing to fill the role, however, it's best to try and recruit people with a diversity of experiences and skills to provide balanced insight and support to guide your nonprofit.

Tip: It may be a conflict of interest if you're on your own board, especially if you take a salary.

6. Get the word out.

There are lots of ways to participate in your community organically as a nonprofit, but along with many other

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results you're looking for.

7. Remain compliant as a nonprofit organization

After meeting a number of requirements to get started, you'll continue to face legal requirements going forward to make sure you're following the rules, also known as staying compliant. If you don't, you could face consequences such as losing your tax-exempt status. Here are some of the most important considerations:

Employment tax

Although nonprofits are exempt from income tax, the IRS expects you to pay employment [taxes](#) if the organization has employees. Tax-exempt organizations with employees are responsible for federal income tax withholding and Social Security and Medicare taxes. You may also need to pay federal unemployment tax.

IRS Form 990

Tax-exempt organizations must file [Form 990](#) annually to give the IRS an overview of their activities, governance and financial information. The IRS uses Form 990 to justify an organization's tax-exempt status.

Organizations with gross receipts of at least \$200,000 or assets worth \$500,000 must file Form 990 annually, though some political or religious organizations may be exempt. Organizations that earn less and have fewer assets can file Form 990-EZ, and organizations with gross receipts of \$50,000 or less can file Form 990-N, which requires minimal information and is filed online.

Find legal assistance.

To keep up with federal and state requirements, it may be in your best interest to work with an attorney. One error or misstep could lead to hefty penalties for your nonprofit, so you may want to find legal help from the start.

As people in your neighborhood come to depend on your nonprofit, they may feel helpless and deserted if you're forced to shut down because of legal issues. Make sure you stay up to date on all requirements and regulations so you can continue making a difference in the lives of your community members.

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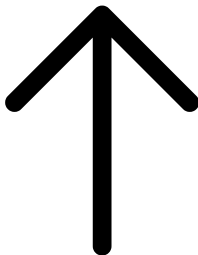
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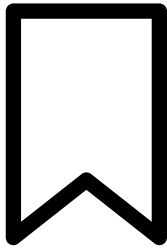
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