Establishing a Nonprofit Organization Resource List

Things to understand and consider before starting a nonprofit organization:

**CONTROL:** One of the basic differences between non-profits and for-profits is who controls it. A Non-profit will generally require a governing body of volunteer directors who will have broad oversight of the paid staff and the power to hire and fire them. Successfully creating a non-profit is much more difficult than a for-profit because the organizers must bring together many people.

**TAX EXEMPTION:** The rule is, if a person or company takes in money, it should pay taxes on that money. While certain organizations with certain limited purposes may qualify for an exemption, it should be created and designed with that in mind. Most organizations will at least want to be exempt from the payment of income tax on the money they take in. Charitable organizations will also want donations to be deductible on their donors’ tax returns. The general forms for articles of incorporation supplied by the offices of Secretary of State do not necessarily include what is needed for the tax exemption sought. The Secretaries also do not provide by-laws or conflicts of interest policies.

- **Confirm the need for an organization of this particular type**
  - Conduct an environmental scan or market research to determine whether this type of organization is needed in your community, and/or whether the market is saturated with similar organizations. Does someone already provide this service, and is there need for another similar organization or an organization of this type?

- **File the certificate or articles of incorporation**
  - Although you can legally establish an unincorporated organization, it is difficult to obtain tax-exempt status. Further, it is nearly impossible to receive grants when unincorporated.
  - Usually, you file the articles of incorporation with the Secretary of State or the Attorney General’s office. In both Kansas and Missouri, articles are filed with the Secretary of State; however, other states may be different.
  - In Kansas:
    - [https://www.accesskansas.org/businesscenter/index.html](https://www.accesskansas.org/businesscenter/index.html)
    - Cost is $20 to register your organization
  - In Missouri:
    - Cost is $25 to file articles of incorporation

- **Establish your organization's board of directors and the organization's incorporators**
  - Kansas only requires one director, but 7 is optimal
  - Missouri requires any nonprofit organization to have at least 3 directors, and there must be a president, secretary and treasurer on the board for incorporation
  - The Midwest Center for Nonprofit Leadership has resource materials and classes to help organizations develop their boards. Visit [www.mcnl.org](http://www.mcnl.org) for more information.

- **Develop vision and mission statements**
  - The vision statement outlines the organization’s reason for existence, while the mission statement identifies how the organization will accomplish the vision

- **Establish bylaws**
  - Both Kansas and Missouri have required statements to include in an organization's bylaws. See the above links for guidance.

- **Obtain an employer identification number (EIN)**
  - Organizations must apply for an EIN through the IRS to apply for tax exempt status, make required form 990 filings, and to pay payroll taxes for employees:
  - Please note that an EIN does not give you tax-exempt status

- **Open a bank account**
  - It is also important at this time to ensure that the appropriate financial procedures, checks, and balances are clarified and defined for your organization. If you are unfamiliar with financial management, it might be a good idea to find someone with expertise in this area to assist you at this stage.

- **Apply for federal tax exemption**
  - Section 26 USC 501 lists organizations which may qualify for tax-exempt status. Those organizations which fall under the exempt purposes outlined in section 501(c)(3) may qualify for both exemption of income and deductibility of donations. See form 1023 and instructions at [www.IRS.gov](http://www.IRS.gov), as well as IRS Publication 557.
  - IRS requirements for exemption are listed here:
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- Please note that legal counsel is widely recommended for completing Form 1023. Be sure to look for someone with nonprofit expertise, and note that it’s possible to find low-cost or pro bono services through Legal Aid or a local law firm.

- **Follow state and local nonprofit regulations**
  - **Sales Tax Exemption**
    - Both Kansas and Missouri require state tax exemptions for sales tax
    - In Kansas, tax exemption is granted through the Department of Revenue: [http://www.ksrevenue.org/pdf/forms/pub1528.pdf](http://www.ksrevenue.org/pdf/forms/pub1528.pdf)
    - In Missouri, the Department of Revenue grants sales/use tax exemption: [http://dor.mo.gov/tax/business/sales/forms/1746f.pdf](http://dor.mo.gov/tax/business/sales/forms/1746f.pdf)
  - **Charitable Solicitation Registration**
    - Both Kansas and Missouri require that you register before soliciting donations
    - In Kansas, register with the Secretary of State: [http://www.kssos.org/business/business_charitable.html](http://www.kssos.org/business/business_charitable.html)
    - In Missouri, register with the State’s Attorney General office: [http://ago.mo.gov/checkcharity/charityregistration.htm](http://ago.mo.gov/checkcharity/charityregistration.htm)
  - **Property Tax Exemption**
    - If the organization owns property, check with the local tax assessor’s office for the appropriate forms
  - **Bulk Mail Permit**
    - Can be done at the main branch of your local post office, and will help reduce some costs associated with direct mail campaigns.

- **Obtain funding**
  - Foundation Center’s *Foundation Directory Online*: [http://fconline.fdncenter.org/](http://fconline.fdncenter.org/)
    - Can either purchase a subscription or access at a local library
    - Must be a member of Nonprofit Connect (formerly Council on Philanthropy) to access
  - The Midwest Center for Nonprofit Leadership has a series of fundraising courses to help teach common techniques on how to raise financial support nonprofit organizations. Visit [www.mcml.org](http://www.mcml.org) for more information on these classes.

- **Ensuring continued compliance**
    - Most organizations with gross receipts over $25,000 must file IRS Form 990
    - Organizations with gross receipts less than $25,000 are now required to file an e-postcard, Form 990-N, again with a few exceptions.
    - The IRS website offers helpful clarifying information: [http://www.irs.gov/charities/article/0,,id=96103_00.html](http://www.irs.gov/charities/article/0,,id=96103_00.html)
  - File an Annual Report with your state
    - In Kansas: [https://www.accesskansas.org/ssrv-annual-reports/index.do](https://www.accesskansas.org/ssrv-annual-reports/index.do)

**References:**
The Foundation Center’s *Establishing a Nonprofit Organization* Tutorial

Kansas Secretary of State’s Office
[http://www.kssos.org/main.html](http://www.kssos.org/main.html)

Internal Revenue Service’s *ABC’s for Tax-Exempt Organizations*

Missouri Secretary of State’s Office

Free Nonprofit Micro eMBA (non-degree training modules to learn the basics of starting a nonprofit)
[http://managementhelp.org/wp_progs/org_dev.htm#anchor704607](http://managementhelp.org/wp_progs/org_dev.htm#anchor704607)