

THE GO-TO GUIDE FOR CREATING YOUR  
NON-PROFIT



# HOW TO START A NON-PROFIT

**LYKKE LLC**

*Financial Management, Accounting, and Bookkeeping for  
Non-Profits*

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**LET'S GET STARTED!**

# PART 1: THE BASICS

- DO YOUR RESEARCH.
- CRAFT A MISSION STATEMENT.
- CHOOSE A NAME FOR YOUR ORGANIZATION.
- CREATE A BUSINESS MODEL AND PLAN.

**1. DO YOUR RESEARCH.** Starting a non-profit is just like starting a business. There are questions you need to ask yourself before you get rolling. Ask yourself:

-Am I fulfilling an unmet need?

-Is there any competition or are there any other organizations already doing what I want to do?

-Who will I target? What sort of people will want to contribute or join?

**2. CRAFT A MISSION STATEMENT.** The key to writing a good mission statement is explaining what you do, who it affects, and why you exist. Keep it clear and concise. Don't stuff it with words. Sometimes you only need a few words to get your point across. Ex: Wounded Warrior Project's mission is "to honor and empower wounded warriors." It is simple, and yet clearly explains what they do and why they exist.

Other Examples of Mission Statements:

"To provide effective means for the prevention of cruelty to animals throughout the United States." -ASPCA

**What you do:** "provide effective means"

**Why you do it:** "for the prevention of cruelty"

**Who it affects:** "animals throughout the United States"

"We grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength and joy."-Make-A-Wish

**What you do:** "grant the wishes"

**Why you do it:** "to enrich the human experience with hope, strength and joy"

**Who it affects:** "children"

**3. CHOOSE A NAME FOR YOUR ORGANIZATION.** There might be rules that vary state by state about naming a non-profit, so make sure that you check those rules and while you're at it, check to see if the domain name is available. For choosing a name, it's helpful to follow the rules of the mission statement. Base it on what you will do, how you plan on helping and filling a need, and who you plan on working with. Ex: Doctors without Borders



#### **4. CREATE A BUSINESS PLAN AND MODEL.**

**MODEL:** One of the best tools for creating a business model for non-profits is the Social Lean Canvas. It will help you organize your thoughts and clearly map out the different ways you are going to accomplish your mission. It is something that is meant to continually be altered so print out this canvas and grab some sticky notes. Check it out [here](#).

**PLAN:** A business plan will consist of a few different sections that cover everything from who will be working for the organization, to how it will be financed, to what you will provide.

## WHAT SHOULD YOUR BUSINESS PLAN INCLUDE?



- **Executive Summary**—This will be a summary of your overall business plan and will include your mission and a general overview of the programs or products you hope to provide.
- **Organizational Structure**—This section will cover your team. It will discuss who is on the board, who serves as staff, and their roles. You might find it helpful to create an organizational chart.
- **Programs, Products, and Services**—Describe the different programs, products, or services you wish to offer and how you plan on delivering those. Explain the benefit of each and of course, consult with a lawyer or accountant to see if there might be any restrictions against what you are trying to offer.
- **Financial Plan**—How do you plan on generating revenue? How much will you rely on grants and loans for support? How many donors do you expect to get? Discuss your organization’s current financial status and what it is projected to be.
- **Marketing Plan**—Who are you targeting and how will you target them? This is where you explore the different tools you plan to use for marketing and refer back to who your demographic is. Social media is undoubtedly one of today’s greatest free marketing tools.
- **Operational Plan**—Where do you plan on operating from and how do you plan on getting volunteers? These are questions you answer in this section. Also, you will want to list your objectives and plans for growth.

For more structured templates and examples, click [here](#).

A person in a white jacket and dark pants stands on a train platform, looking towards a train. The platform has a tactile paving strip. The background shows the train tracks and a building with a sign that says "BOV".

## PART 2: GET INCORPORATED

- CHOOSE AND APPOINT YOUR BOARD OF DIRECTORS.
- APPOINT A REGISTERED AGENT. APPOINT AN INCORPORATOR.
- CREATE YOUR BYLAWS.
- CHOOSE A LEGAL STRUCTURE.
- PREPARE AND FILE ARTICLES OF INCORPORATION.

**5. CHOOSE AND APPOINT A BOARD OF DIRECTORS.** Typically, only three people are needed. It is important that you choose people who are passionate about your organization and its mission, but passion can only go so far. You should choose people who are passionate, but who can bring different expertise, skills, and resources to the table. The best board members might be in your direct network or your friends, so don't be afraid to ask around. If there's someone you have your eye on and who you think would be incredibly helpful, ask them. Tell them about your mission and make your passion infectious so they become passionate about it too. Ultimately, you can have passionate people on your board who don't have a lot of expertise to offer, but they might not make your dreams come to life, so choose people who can make those dreams and the passion will come with it.

**6. APPOINT A REGISTERED AGENT.** This is the person responsible for receiving legal notices on behalf of the organization. **APPOINT AN INCORPORATOR.** They will be responsible for signing the articles of incorporation, explained further below.

**7. CREATE YOUR BYLAWS.** You should probably do this with your Board of Directors to get input. Your bylaws will be the operating manual for running your non-profit. You need this in order to file your Articles of Incorporation and apply for tax-exempt status. Bylaws typically include the rules and procedures for holding meetings, your purpose, defining membership, your board of directors and officers, and more. For an example, check out Maryland's Sample Bylaws for Non-Profits [here](#).



**8. CHOOSE A LEGAL STRUCTURE.** You must choose whether your organization will be a trust, corporation, LLC, or association before you can apply for exempt status. Traditionally, most nonprofits structure as nonprofit corporations. There is no official filing you need to do for choosing your legal structure. However, each state has different forms for incorporating for different legal structures, which is why it is important to choose a legal structure in order to choose the appropriate form.

**9. PREPARE AND FILE ARTICLES OF INCORPORATION.** Look to your state's corporate filing office, which should have laws about filing your articles of incorporation. To file, you will need your purpose of your organization, the names of your initial directors, the name of the incorporator, and more. Here's an *example*.

## PART 3: OTHER FILINGS

- OBTAIN A FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN).
- GET FEDERAL TAX-EXEMPT STATUS.
- APPLY FOR STATE TAX EXEMPTIONS.
- REGISTER FOR CHARITABLE SOLICITATION.
- SECURE THE NECESSARY PERMITS AND LICENSES YOU MAY NEED.

**10. OBTAIN A FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN).** Fill out *IRS Form SS-4* and fax or mail it in, or *apply online*, which is the easiest option. You need an EIN for opening a bank account, paying employees, and your federal tax returns.



**11. FILE FOR FEDERAL TAX-EXEMPT STATUS.** You will need to fill out *Form 1023* if you are applying to be a 501(c)(3). You will receive an IRS Determination Letter when you have been granted tax-exemption status. To file, you will need your EIN, evidence that your articles of incorporation were filed, bylaws, certified copy of certificate of incorporation, description of activities, a 2 year proposed budget, names and addresses of directors, and more. Refer to *IRS Publication 557, Forms Required and Required Inclusions* (Page 3 and 4). The fee for filing is \$400 if your annual gross receipts are or expected to be under \$10,000 and \$850 if your annual receipts are or expected to be over \$10,000. Make sure you have filled out all the information correctly. If you aren't sure, seek professional help. Also, take a look at the *13 most common reasons* why being granted tax-exempt status is delayed or denied.

**12. APPLY FOR STATE TAX EXEMPTIONS.** Some states will automatically grant you exemptions if you have been deemed federally exempt, but there are others in which you must apply with the state.

**13. REGISTER FOR CHARITABLE SOLICITATION.** You must register in any state where you are soliciting donations. Most states require that you do this in advance. This *map* will help you understand what states you will need to register in. Be aware that in some states crowdfunding and giving days count as charitable solicitation.

**14. SECURE THE NECESSARY PERMITS AND LICENSES YOU MAY NEED.** The Small Business Administration has a great *list* of federal licenses and permits you may need to get. You should also look into getting state licenses and permits. If you are having an event, you may need to get a permit to operate and sell items from the state which the event is being hosted in. Additionally, you should fill out USPS *Form 3624*, Nonprofit Marketing Mail Prices. You can get special mailing prices if you are a non-profit.

## PART 4: OPERATIONAL SETUP

- CREATE A WEBSITE AND SOCIAL MEDIA ACCOUNTS.
- DEVELOP A FUNDRAISING PLAN.
- CHOOSE AN ACCOUNTING SOLUTION.
- CHOOSE A DONOR MANAGEMENT SYSTEM.
- CONSIDER A LAWYER.
- CONTINUED COMPLIANCE.

**15. CREATE A WEBSITE AND SOCIAL MEDIA ACCOUNTS.** Try tools like Wix or Squarespace to create your website. Wix is easy and intuitive and allows you to constantly be able to make changes to you website. The best marketing tool these days is social media. Create social media accounts in order to engage people in your mission and campaigns you may run. It is also a great way to keep your members informed on the great work you are doing.

**16. DEVELOP A FUNDRAISING PLAN.** There are a lot of tools that can help you with fundraising and there are many different types of fundraising. You can fundraise online or in person, hold events or create campaigns, focus on one time donations or recurring donations. Fundraising isn't as simple as you may think. Fundraising is regulated and there are guidelines and rules you must follow from the IRS. Ethical and legal questions can also surround fundraising, which is why it is important to seek legal or accounting advice if you are unsure or to make sure that you are staying compliant.



**17. CHOOSE AN ACCOUNTING SOLUTION.** Plain and simple, you need to have your finances in order if you ever want to grow or acquire more funding. It is also essential for filing your 990 accurately and on time, gaining greater insight into your expenses and cash flow, and for making financially informed and intelligent decisions. Odds are, it is too expensive to hire someone in house, which is why outsourcing is a great option. When outsourcing, you should look for a group that specializes in non-profit accounting as they will know what forms you will need to comply with best and what your cash flow and financial statements should look like as a non-profit, which will be different from most businesses.

**PAYROLL:** If you ever wish to hire employees, you will need to set up a payroll system. To do that, you will need a state withholding account number, state unemployment account, worker's compensation policy, and perhaps disability. Your accounting firm can usually handle payroll for you.



**18. CHOOSE A DONOR MANAGEMENT SYSTEM.** The best way to grow is to get funding from the people who have already believed in your mission and donated. You must nurture these donor contacts and keep them informed. A lot of donor management systems will have great email marketing tools to keep your donors up to date. Additionally, some donor management tools have a fundraising system built in, so contacts are automatically created from people who donate and ensure that donors also receive a tax receipt.

**19. CONSIDER A LAWYER.** There are a lot of questions you will have and not know the answer to, and that's okay. Consulting with a lawyer on things you are unsure of can save you hundreds of dollars and prevent you from breaking any laws. Lawyers are undoubtedly expensive, which is why you should consult with them if you cannot find a reliable source on the Internet.

**20. CONTINUED COMPLIANCE.** Keep growing and doing what you're doing, but don't forget you have obligations. Filing your 990 is one of them and with filing your 990, you must provide them with numerous details. Make sure you have an accounting solution in place before it comes around to the time you have to file so you are not scrambling to prepare the form and play catch up.

**WE HOPE THIS GUIDE HELPED YOU. IF YOU NEED ANY FURTHER ASSISTANCE, PLEASE DON'T HESITATE TO CONTACT US.**

# PRINT OUT CHECKLIST

## PART 1: THE BASICS

- Do your research.
- Craft a mission statement.
- Choose a name for your organization.
- Create a business plan and model.

## PART 2: GET INCORPORATED

- Choose and appoint a Board of Directors.
- Appoint a registered agent. Appointing an incorporator.
- Create your bylaws.
- Choose a legal structure.
- Prepare and file Articles of Incorporation.

## PART 3: OTHER FILINGS

- Get a Federal Employer Identification Number (EIN). Fill out IRS Form SS-4.
- File for federal tax-exempt status. Fill out IRS Form 1023.
- Apply for state tax exemptions.
- Register for charitable solicitation.
- Secure the necessary licenses and permits you may need.

## PART 4: OPERATIONAL SET-UP

- Create a website and social media accounts.
- Develop a fundraising plan.
- Choose an accounting solution.
- Choose a donor management system.
- Consider a lawyer.
- Continued compliance.