

Nonprofit Start-Up Guide

— brought to you by —

BryteBridge
Nonprofit Solutions



*Your essential guide for starting a
nonprofit organization*

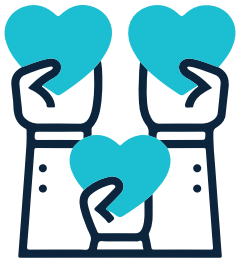
Thank you for your interest in our nonprofit startup guide. Our goal is to create awareness of key business fundamentals that will help facilitate your organizational growth. These fundamentals are presented in logical stages of importance to be implemented as resources become available. This guide will start with outlining the basic steps involved in making your organization legal to operate and become tax-exempt. Next, we focus on creating awareness of your organization and its services (marketing). Then, the steps to seek funding from local community sources, developing staff or volunteers, and then moving on to the final steps focus on developing and implementing policies to drive efficient organizational governance.

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Introduction - Are You Ready to Start A Nonprofit Business?

You might have a fantastic idea and a willingness to help people, but operating a legal and compliant nonprofit organization requires time and resources. It's essential to ensure you're entirely ready before jumping in and starting a nonprofit business. Answering these initial questions will help your organization begin on a path to success.



Will you fill a need in the community?

All nonprofit organizations require a clear and specific purpose. Sometimes called a mission statement, the IRS calls it the organization's primary purpose. This purpose guides all activities for the lifespan of the organization.

When developing your primary purpose, it's important to think about the community you intend to aid. Are there other nonprofits that cater to that community and offer similar services? If so, that's ok, but determine what will make your organization different. Find ways to add value where other organizations might fall short. Once you have a primary purpose, it's vital to ensure it is specific and focused.

HELLO
my name is

Do you have a name picked out?

Because every nonprofit is a legal company, it needs a name legally permissible in your state. Naming rules vary by state but generally require including "Inc." at the end. "Inc." is short for "Incorporation" and defines the organization as a corporation.

Your organization's name must also be unique in your state. While Help, Inc. might be the perfect name for your organization, there is most likely already a Help, Inc. registered in your state. It's important to search the Secretary of State database for instances of your intended name. A note of caution: some states will consider anything that sounds like a registered name off-limits. So even if a search nets no results, it does not guarantee the name is available. Having availability rules vary by state.

Additionally, many states and the IRS do not allow any form of punctuation in the name. Consider these rules when determining a potential name. For example, an organization might be called “Joe’s House, Inc.” but on the IRS paperwork, it would appear as “Joes House Inc” instead. Ultimately, the lack of punctuation is not a big deal and does not affect the origination’s activities, but it is worth considering.



Do you have an Initial Board of Directors?

A Board of Directors manages every nonprofit organization. These people, referred to as board members, trustees, or officers, volunteer their time to provide direction, guidance, and operate the nonprofit.

Every nonprofit organization requires at least three initial board members. They must fulfill the roles of President, Secretary, and Treasurer. These positions, known as the officers, must be filled by different people in compliance with the IRS rules. While you might want to do all of the work for your organization, it’s essential to find a team of people who not only share your vision but the workload, too.

While three people are the minimum, a Board of Directors can have as many members as it desires. The board may consist of three officers and two additional at-large board members. Or maybe four at-large board members. It is really up to the aims of the organization. When considering the number of board members, know that you need to provide Directors and Officers insurance for each member. We’ll discuss this later in the guide. Ultimately the more board members an organization has, the more costly its annual insurance.

The majority of board members (51% or more) cannot be related by blood or marriage. If an organization has a three-person board, no-one related is permissible. There are different rules for Private Foundations, which are explained later in the guide.

Additionally, board members are always volunteers. While board members can fulfill paid staff roles (if they exist), the majority of board members (51% or more) cannot receive any compensation from the organization. For example, in an organization with three board members, one person can also serve as the organization’s Executive Director and draw a salary. The other board members cannot receive compensation, even if they also fill employee roles.

Do you have initial funding?

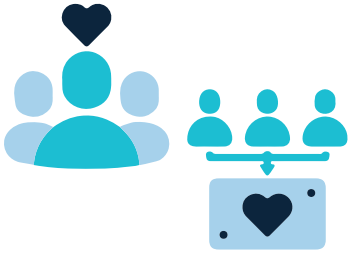
Forming a nonprofit can be a costly endeavor.

State incorporation filing fees range from \$8 in Kentucky to \$220 in Maryland. States also have other required filings with a wide range of filing fees. The IRS charges between \$275 and \$650 in filing fees depending on the type of tax-exempt organization you create. Programming expenses, websites, and operational costs



should also factor in the initial costs. You may also consider seeking the aid of a nonprofit consultant, like BryteBridge, which adds to the initial expenses but will remove a lot of the headaches involved in the process.

It's essential to consider the initial costs and develop a fundraising plan almost entirely made up of private donations to cover planned expenditures. While private donations will make up most of your funding (especially to start), there are other options available. We'll explore all of those later in this guide.



Are you a public charity or private foundation?

There are many different categories of nonprofit organizations. Generally, though, the IRS classifies them into two major buckets: public charity or private foundation. The difference between the two depends on whom the organization supports and how it receives funding.

Private foundations operate to support individuals and other 501c3 nonprofit organizations through grants and scholarships. Private foundations receive most of their annual revenue (greater than 67%) from a single source.

In most cases, all other nonprofits are public charities. Public charities are formed for public benefit, meaning their services and programming are available to the entire community. While public charities can focus on a specific charitable class, for example, elder care, their services are considered open to anyone who is part of that class.

As a public charity, the organization receives funding in several different ways. These include private donations, corporate sponsorships, grants, and gifts from private foundations. We'll cover all the options a public charity has for funding later in this guide.

Churches are a form of public charity. While their donations might come mostly from member's tithes, those are considered personal and public contributions. All other rules governing public charities, including unrelated board members, apply to churches.

Are you ready for tax-exempt status?

If you answered yes to all of the questions above, then you're ready to launch a nonprofit organization! BryteBridge is prepared to partner with you. We'll provide a dedicated specialist to walk you through each one of the next steps, ensuring your organization is ready to succeed from the start!

Visit www.brytebridge.com or call us at **877.857.9002**,
and we'll begin this journey together!

Step 1

Create Initial Documents

Once a nonprofit organization identifies a clear purpose, decides on a legal name, and establishes a Board of Directors, it is ready to start the process of officially forming. While these three steps are crucial, they alone are not enough to legally operate a nonprofit business. In every state, asking for donations before following the proper steps to start a nonprofit can result in fines, penalties, and taxes. Not to mention, anything donated to an organization that is not legally established is not tax-deductible.

Step 1 in every nonprofit organization's startup journey is what we at BryteBridge call the initial documents. These documents help set the organization up for legal operation in the state and prepare the nonprofit to file for federal tax-exempt status (which we discuss in the next step).

While the process to start and operate a nonprofit organization is different in every state, the initial documents are uniform. They are:

- 1. Incorporation:** Establish a legal corporation in the state of operation.
- 2. Employer Identification Number (EIN):** Create a federal identification number.
- 3. Bylaws:** Develop a set of governing practices.
- 4. Conflict of Interest Policy:** Develop rules to prevent potential profitability conflicts.

The initial documents create a corporation capable of legally operating in the state. These documents provide the necessary documentation to open a bank account, rent an office, and begin operations. Not to mention, anything donated to an organization before it legally forms is not tax-deductible.

BryteBridge provides multiple options for nonprofit startup packages that include all or part of the initial documentation, depending on budget and steps the organization chooses to undertake independently.

For more information about our various packages, visit www.brytebridge.com

Initial Documentation Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
Assign Registered Agent			
Assign Incorporator			
File Incorporation			
Request EIN			
Develop Bylaws			
Develop Conflict of Interest Policy			
Open a Bank Account			*Can provide recommendations

Step 2

Apply for Tax-Exempt Status

Establishing a nonprofit corporation is only the first of many steps required to create and operate a legal nonprofit organization. The next step is filing for federal tax-exempt status.

Tax-exempt status is the most important step in the formation of a nonprofit. The IRS alone determines a nonprofit organization's exempt status. Once recognized as tax-exempt by the IRS, the organization is not required to pay federal and (in many cases) state corporate income taxes. Without obtaining tax-exempt status, an organization is responsible for corporate taxes at both the federal and state level, even if incorporated as a nonprofit corporation.

Depending on the type of tax-exempt status issued by the IRS, donors may also claim donations to the organization as tax-deductible gifts on their taxes. Tax-deductible contributions are a big part of fundraising, which we'll discuss later in the guide.

There are many types of tax-exempt status. The most common form is a 501(c)(3) organization. The vast majority of nonprofits fall into this classification, though other tax-exempt types exist depending on the organization's purpose. Different types include 501(c)(4) for politically focused organizations, 501(c)(6) for business leagues, and 501(c)(10) for fraternal orders. These are just a small selection of the 14 types of tax-exempt organizations. Understanding what type of tax-exempt status to file for is a crucial step in forming your nonprofit.

Once identifying the correct tax-exempt type, applying for IRS tax-exempt status is a time-consuming and detail-oriented process. There are multiple applications, known as Form 1023 EZ, Form 1023, or Form 1024. These applications are upwards of 40 pages in length and often require many attachments and other IRS forms providing additional explanations and information.

The average person will spend between eight and ten hours filing out the IRS tax-exempt application. BryteBridge specialists are well versed in every question asked on the IRS applications. They take your vision and correctly fill out the application on your behalf.

After an organization applies, it typically takes the IRS between three and six months to issue a determination. While the organization is waiting for status, it is free to operate as a nonprofit. However, there may be restrictions on soliciting donations, which we'll cover in Step 3.

When the IRS issues tax-exempt status, it sends a Letter of Determination through the USPS to the organization's address. This simple letter is a nonprofit organization's most important document. It contains all information necessary to prove and maintain tax-exempt status. Organizations should keep this letter safe, though copies are often available on the IRS website a few months after the physical letter arrives.

Tax-Exempt Application Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
Determine 501c Classification			
Determine Which Application to File			
If 1023 Long or 1024, Write a Narrative			
If 1023 Long or 1024, Develop Three-Year Budget			
If 1023 Long or 1024, Determine Schedules			

Step 3

File State Documents

After creating the initial documents and filing for federal tax-exempt status, it can often feel like the startup work is complete. However, there are still several steps to go.

In most states, applying for federal tax-exempt status alone is not enough to start asking for donations. Nonprofit organizations must file additional state documents with various agencies to complete their registration.

Unlike the initial documents, which, despite naming differences are uniformly required across the country, state document requirements vary wildly. Knowing which documents your state requires is the difference between smooth operation and hefty penalties and late fees.

While the process varies by state, the most common state documents are:

- 1. Charity Registration:** Required to legally ask the public for donations.
- 2. State Tax Exemption:** Required for exemption from corporate income taxes.
- 3. State Sales Tax Exemption:** Required for exemption from paying sales tax on purchases.

When and if an organization is required to file these documents depends on the state of operation. Some states allow filing on the same day as applying for IRS tax-exempt status. In contrast, others require receiving tax-exempt determination before filing. Since asking for donations often requires filing a charity registration, understanding your state's document and filing requirements is necessary for the startup journey.

BryteBridge's Complete packages include all required state documents, and QuickStart packages include detailed compliance instructions for the Board of Directors to follow.

Organizations may also need to register with their local county or municipal government. This registration, sometimes called a Business Permit or Occupation License, pays any necessary local taxes and grants the organization permission to legally operate in their place of business. BryteBridge specialists can assist clients ensure their organization is operating legally.

For a description of our different packages, visit www.brytebridge.com

State Documentation Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
File Charity Registration			
File State/Sales Tax Exemption			
File for Local Licenses			
File Foreign Registration (If Required)			

Step 4

Market the Nonprofit

Before we get started with this step, take a minute to congratulate yourself! Forming a nonprofit, applying for tax-exempt status, and filing the required state documentation is a huge accomplishment. Now that (most) of the legal filings are out of the way, it's time to start focusing on why you started this journey: getting your organization in front of the public. Doing so requires marketing.

Most organizations cannot ask for donations until filing a state Charity Registration. It can take the IRS six-months to make a tax-exempt determination. Instead of merely waiting for the paperwork to arrive, now is a great time to prepare for marketing.

Most people starting a nonprofit do so because they're passionate about their organization's purpose. This drive is crucial for the organization's success. However, no matter how devoted the Board of Directors is, without marketing, potential donors and those needing your organization's services will not know the opportunity exists.

Informing people that your organization exists and giving them a clear understanding of your cause is just as important to a nonprofit organization as it is for a for-profit business. That is why marketing is so vital. Unfortunately, many nonprofit organizations don't focus enough time or energy on marketing. They often think they can't afford the cost or that by starting a nonprofit, volunteers and donations will automatically arrive. Without proper marketing, not only will potential volunteers and donors not know your nonprofit exists, but they won't want to engage.

Failure to properly market and communicate your organization's message is a guaranteed road to failure. The good news is that you don't need a communications degree to market your nonprofit. You only need a few tools, time, and passion to get the word out.

There are many ways to market your nonprofit. Like fundraising, which we'll cover in the next step, marketing is limited only by the organization's imagination and time. Here are a few standard marketing options:



1. Branding: Developing a logo and color scheme for the organization.



2. Website: Creating a space for information and donations.



3. Social Media: Engaging with potential donors, volunteers, and participants.



4. Press Release: Notifying news outlets about your organization.



5. Email Newsletter: Communicating the organization's activities.

While we're covering marketing at this point in the startup process, know that you don't need to have a plan for every type of marketing right now. While waiting to solicit funds, it's a good idea to develop a marketing plan. Maybe priority one is primary branding and then, as funds become available, a quality website. This way, when the organization can solicit funds, it has a clear and unified marketing message ready to go.

BryteBridge has a team of graphic designers and branding experts ready to aid your organization's marketing goals. For more information about our options, visit www.brytebridge.com

Marketing Checklist

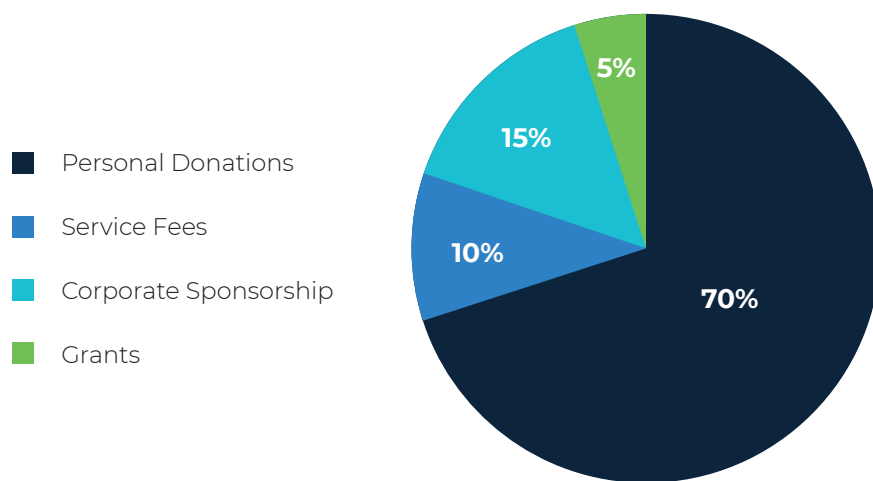
	Do It Yourself	Assign Board Member	Hire BryteBridge
Develop Branding			
Build A Website			
Set Up Online Donations			
Start A Blog			*Can provide recommendations
Set Up Social Media Accounts			
Create a Social Media Calendar			*Can provide recommendations
Issue A Press Release			
Start an Email Newsletter			*Can provide recommendations

Step 5 Raise Funds

Starting and building any organization requires money. Large donations may not occur until your organization has trackable success stories and credibility. Until then, nonprofit organizations must engage their Board of Directors, family, and friends to provide fundraising support.

More than 50% of all organizations interviewed in our research study said they need outside help with fundraising. Raising money is one of the biggest challenges all organizations face.

Once the organization's Charity Registration is approved, any board member or Executive Director's primary job is asking for donations. Donations are the lifeblood of an organization and the difference between impacting one or two individuals and an entire community.



There are multiple ways to raise funds. Diversifying your fundraising strategy produces the best results because there is no single guaranteed method for donations.

When it comes to raising funds, a well-diversified fundraising plan includes:

- 1. Personal Donations (60-70% of revenue):** Receiving individual donations from friends, family, coworkers, and the general public.
- 2. Service Fees (5-10% of revenue):** Charging a fee to program participants.
- 3. Corporate Sponsorship (10-15% of revenue):** Encouraging local businesses to make monetary or in-kind donations.
- 4. Foundation Grants (2-5% of revenue):** Applying for grant funding.

Think of the four items listed above as not just options but also the steps to start soliciting funds. The majority of fundraising always comes from individual donations, so start and focus on enticing people first and foremost.

Next, consider charging service fees if your programming allows. As a charitable organization, you should consider what happens if someone in need of your services cannot afford the service fee. These fees should be reasonable

and less than fees charged in a for-profit setting. For example, if you provide groceries for those in need charging the same price at the national chain supermarket down the street is probably not aiding your clients.

Corporate sponsorships are a means of asking local businesses to support your organization. While they might not always provide financial contributions, they may provide in-kind donations of goods or services necessary to operate your organization.

The final step in an organization's fundraising journey is applying for foundational grants. With few exceptions, most foundations will not consider an application without detailed and successful fundraising from the previous three methods. Further, granting foundations often require multiple years of audited financial records.

Note: Private Foundations do not rely on outside fundraising. The large-majority of revenue (greater than 67%) must come from a single, designated source. For more information about Private Foundations, refer back to the explanation earlier in this guide.

As soon as an organization begins accepting donations, it is responsible for properly tracking those donations. Likewise, proper bookkeeping is necessary to maintain accurate records for annual tax reporting. Make sure you have a plan for bookkeeping and yearly financial audits in addition to fundraising.

For more information about our Corporate Sponsorship, Grant Management & Bookkeeping packages, visit www.brytebridge.com

Fundraising Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
Establish your Board Member Development Plan & Dues			*Can provide recommendations
Ask Friends and Family for Donations			*Can provide recommendations
Online and Social Media Donation Campaign			
Attend Community Events			*Can provide recommendations
Plan A Fundraising Event			*Can provide recommendations
Plan for Program Expenses			*Can provide recommendations
Develop a Plan for Corporate Sponsorships			
Research for Foundation Grants			
Prepare Foundation Grants			
Apply for Foundation Grants			
Manage and Appreciate Donors			*Can provide recommendations
Maintain Detailed Records and Bookkeeping			

Step 6 Develop Staff

Initially, the entirety of programming responsibilities will rely on the Board of Directors. However, they alone will only be capable of maintaining the nonprofit's operations for so long. As the organization grows, additional people become necessary to carry out the mission. When this happens, it's time for the organization to consider staffing.

While many nonprofits will eventually have the funding necessary to hire paid staff members, all will rely on some form of volunteers. In nonprofits of all sizes, volunteers are essential for the organization's ongoing operations. They provide the time, skills, and labor necessary for the organization to fulfill its mission.

Organizations that thrive have detailed plans for recruiting, training, encouraging, and maintaining volunteers. Volunteers who feel under-utilized or under-appreciated will either never come back or, worse, tell their friends and family about their bad experience with your nonprofit. On the other hand, volunteers who are motivated and excited about the organization will not only work hard, but they will also act as free marketing in the community for your purpose.

Some roles within an organization require specialized skills, consistency, and training. When this occurs, it's time to consider paid staff members. Paid staff are often one of the nonprofit's most significant expenses, so ensuring consistent fundraising is necessary once hiring the organization's first staff person. Like volunteers, organizations need a detailed plan to train and support paid staff members.

Regardless of if your staff is volunteer or paid, it's essential to appreciate them regularly. Handwritten notes from the board, spotlights on the organization's website, or personal words of thanks are great ways to show appreciation for the team. Showing appreciation is a vital way to ensure that volunteers and paid staff remain committed to your organization's purpose.

Staffing Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
Develop a Plan for Volunteers			*Can provide recommendations
Share Volunteer Opportunities Online			*Can provide recommendations
Manage and Appreciate Volunteers			*Can provide recommendations
Develop A Plan for Paid Staff			*Can provide recommendations
Develop Employee Handbook			
Maintain Compliant Payroll System			
Prepare W-2 for full time employee			*Can provide recommendations
Prepare 1099 for part-time employees and contractors			
File Quarterly Income Tax (Form 941)			*Can provide recommendations

Step 7

Operating the Nonprofit

At this point, you're well past the startup phase and into the nonprofit's ongoing operation. Making it to this point requires time, dedication, and a highly engaged team. So, congratulations on making it to step 7!

All nonprofits require ongoing attention and management, otherwise called governance. The Board of Directors is one of many functions responsible for the organization's daily and ongoing administration. Everyone involved with the nonprofit has a role in the organization's operation, from the Board of Directors to every volunteer.

While not as exciting as marketing or working with volunteers, ongoing governance is crucial for every organization. Governance requirements include:

- 1. Strategic Plan:** Developing a set of shared responsibility and goals.
- 2. Consultation and Networking:** Seeking the advice of others.
- 3. Board of Directors:** Ensuring the Board has the tools necessary for ongoing operations.
- 4. Insurance:** Protecting the Board, any assets owned by the organization, and mitigating personal liability.
- 5. Policy Manuals:** Creating a set of standards and practices for everyone in the organization.
- 6. Annual Reports and Audits:** Reporting the organization's fiscal responsibility.

Part of the organization's governance includes compliance with state and federal requirements. We'll address those in the next step.

To learn about our Strategic Plan packages visit, www.brytebridge.com

Ongoing Operation Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
Develop Strategic Plan (Every 5 years)			
Board of Directors following Development Plan			*Can provide recommendations
Purchase Required Insurance			
Review Policy Manuals			*Can provide recommendations
Develop an Annual Report to Donors			
Hire a Professional Auditor			*Can provide recommendations

Step 8

Annual Compliance

After completing each fiscal year, nonprofit organizations must comply with year-end reporting at both the state and federal levels. Failure to remain in compliance with these requirements can result in incurring penalty fees, revocation of tax-exempt status, and even having your corporation dissolved by the state.

86% of nonprofits surveyed in our research study reported needing help with annual compliance requirements. Our study showed that no matter the organization's size, compliance provided consistent headaches. One nonprofit participant in our research reported spending 960 hours on compliance in their first year of operation!

There are two levels of annual compliance:

Federal: Filing the 990 tax-return required for nonprofits.

State: Filing a variation of the state documents required when forming.

Failure to remain in state or federal compliance faces severe penalties ranging from fines to revocation of tax-exempt status. While not as exciting as carrying out the nonprofit's mission, annual compliance is extremely important.

Thankfully, BryteBridge specialists are well accustomed to federal and state reporting requirements and are ready to assist with your organization's ongoing compliance needs.

To learn about what compliance documents your organization needs and how BryteBridge can help, visit www.brytebridge.com

Annual Compliance Checklist

	Do It Yourself	Assign Board Member	Hire BryteBridge
File 990 Tax Return			
File State Annual Report			
File Charity Registration Renewal			
File State Tax Exemption Renewal			
File State Sales Tax Exemption Renewal			

Make A Difference

The most successful people all have had incredible support. Let us be yours.

With over 30,000 people served and more than 15 years of experience, we're experts in every aspect of starting, growing, and running a nonprofit. Driven people find a way to help no matter what, but we can help you do it faster, more easily, and help more people. When you're ready to get started on building the nonprofit startup of your dreams, we're ready to help you make it happen.

To start your journey visit us at: <https://brytebridge.com/nonprofit-startup/>
Or call us at: 877-857-9002

Nonprofit Start-Up Checklist

Use this checklist to track your organization's startup process and record important details in one convenient location.

Organization Name: _____

Organization Address: _____ Fiscal Year: _____

Initial Board of Directors:

President: _____ Secretary: _____

Treasurer: _____

Additional Board Members: _____

Incorporation:

Date of Incorporation: _____ Secretary of State File Number: _____

Registered Agent: _____ EIN: _____

IRS Tax-Exempt Status:

Date of Application: _____ 501c Classification: _____

Date of Tax-Exemption: _____ Are 990s required: _____

State Documentation:

Charity Registration Date Filed: _____ State/Sales Tax Exemption Date Filed: _____

Annual Compliance:

Date 990 is due: _____ Date annual report is due: _____

Date first charity registration renewal is due: _____

Date state/sales tax renewal is due: _____

Organization Operation:

Directors & Officers Liability Insurance Quoted: _____

Strategic Plan Ordered: _____

Corporate Sponsorship Ordered: _____

Date First Donor Appreciation Planned: _____

Call us for a
FREE CONSULTATION
1-877-857-9002



BryteBridge
Nonprofit Solutions

**All the nonprofit
specialists you need,
all in **one place.****

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www.brytebridge.com