

NORD RARELAUNCH™ GUIDANCE DOCUMENT

STEPS TO NONPROFIT FORMATION

The below gives a snapshot of the steps necessary to achieve 501(c)(3) nonprofit status. This is to serve as a guide only and does not guarantee that 501(c)(3) status will be granted.

DOCUMENTS NEEDED FOR NONPROFIT CREATION

It is suggested to have the following materials in place prior to filing:

1. Articles of Incorporation
2. By-Laws
3. Privacy Policy
4. Conflict of Interest Policy
5. Nonprofit Budget
6. Mission Statement, Vision Statement, Core Values/Beliefs

STEP 1

- **Incorporating at the state level:**

The first step is to file Articles of Incorporation, which means to register a corporation (sometimes referred to as a non-stock corporation) with a state. The filing is typically done through the Secretary of State or Attorney General's office and the fee varies from state to state. Laws and regulations also vary from state to state, therefore, it is recommended to review the requirements for each state, which can be located by [clicking here](#).

STEP 2

- **Apply for a federal Employer Identification Number (EIN):**

Every organization must have an employer identification number (EIN), even if the organization does not have employees. To apply for the EIN number online, [click here](#). Applying for the EIN number can also be done by fax or mail – for more information, [click here](#).

- There is no fee to apply for the EIN.
- Do not apply for the EIN until your organization is legally formed (Step 1).

STEP 3

- **Apply for 501(c)(3) Status:**

Once you have the EIN number the next step is to apply for 501(c)(3) status. To apply for 501(c)(3) status, [Form 1023-EZ](#) or [Form 1023](#) needs to be completed.

- Most small organizations can apply using form [1023-EZ online](#). To determine eligibility to complete this form, complete the [eligibility worksheet](#), which is located at the end of the instruction form. The user fee for this form is \$400.
- If you are not eligible to complete Form 1023-EZ then complete Form 1023. For information on this form, [click here](#). There is an option to complete an interactive form or the standard PDF version. The user fee for this form ranges from \$400 - \$850.

QUESTIONS

How much is it to incorporate per state?

Price for incorporating will vary from state to state. For example, Georgia offers a \$0 filing fee and must be completed online (as of 06/10/16) while Vermont charges a \$125 filing fee (as of 06/10/16). Please check your state's Secretary of State website to see what the most recent requirements, forms, and fees are.

How long does the process take?

Depending on the office, whether you submit hardcopy or electronic paperwork, and whether or not it's peak season, each filing could take between one business week up to a full year. In most cases, once you have filed everything and become approved it has been a year to 16 months from start to finish. The application that generally takes the longest is the IRS tax-exempt status to become a 501(c)(3).

What can I expect throughout the process?

This is a lengthy process from start to finish and depending on the time of year and the amount of applications to be reviewed it could take up to 16 months to a full two years. This is the higher end of the scale, but quite possible. You will also need to make sure you are filing all of the correct forms and have copies of each document because many times you will have to submit them to more than one place (for example, when you fill for charitable solicitation registration you usually need to provide copies of your Form 990). There is also a monetary investment in starting a nonprofit that you will have to provide to file most forms.

Do many people get denied?

According to the IRS, about 10% of completed and submitted applications get denied per year for tax-exempt, 501(c)(3), status.

What's a rough estimate of the total cost?

When you are finished applying for everything, the cost will be around \$1,000 to \$1,500 depending on what state you are in and what requirements you must fulfil to maintain 501(c)(3) status and to solicit to, from, and in your state.

Do I need to hire a lawyer to review or fill out any/all of the paperwork?

In a short answer, no, you do not need to hire a lawyer to review or fill out any of the paperwork required to start your own nonprofit. If you follow the state and federal guidelines and directions and review every document before sending them out, you should be able to manage the process. Some organizations or businesses do offer services in assistance to filling out forms, but usually this is a paid-for service. You may also check with your Secretary of State or Attorney General's office to see if they have lawyers who offer free workshops to educate people looking to start nonprofits.

Are there any additional paperwork or forms to fill out?

It depends on which state you base your nonprofit out of. In most cases, yes you will have an additional process to go through with the state for registering your nonprofit organization so that you can receive donations and raise money through fundraisers. Because charitable registrations are regulated at the state level, and not at the federal level, the registration requirements can vary widely from state to state. Each state has its own, unique requirements with respect to charitable filings, and they differ with respect to: which documents must be filed for registration purposes; who may sign registration documents, on behalf of the organization, and whether these documents must be notarized; which state offices require filings; and how much it will cost to register the charity. Some states allow nonprofits to exist and receive funds without registering if they make under a certain amount through donations per year, in others it is mandatory to file with the state and you can be fined up or over \$25,000 if you fail to do so. These charitable solicitation forms are to be filled out after receiving 501(c)(3) status as many states require you to send in your IRS approval letters with your registration packet. The cost of registration varies state to state and can range from free to \$2,000.

DISCLAIMER

NORD offers this Guidance Document solely as an aid to understanding, establishing and managing legal requirements and business operations relevant to a 501(c)(3) charitable organization. The statements and content contained here may not apply to an organization's particular circumstances and no legal, tax, accounting, or other professional advice is being rendered by NORD or its trustees, officers, or staff, or by its authors, speakers, or other contributors. No attorney-client relationship is formed by the receipt, custody, reliance on or use of these Guidance Documents. Due to the rapidly changing nature of the law, the statements and other contents in NORD's Guidance Documents may become outdated. Members using NORD's products are encouraged to seek the legal advice of an attorney qualified in the relevant jurisdiction.