

# Starting a Nonprofit

in Washington State

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What you need to  
**KNOW**



What you need to  
**DECIDE**



What you need to  
**DO**



**WASHINGTON**  
Secretary of State  
Corporations & Charities Division



Nonprofit Association  
of Washington



*For more information, contact Nonprofit Association of Washington:*

[nonprofitwa.org](http://nonprofitwa.org) | 855-299-2922

[learning@nonprofitwa.org](mailto:learning@nonprofitwa.org)

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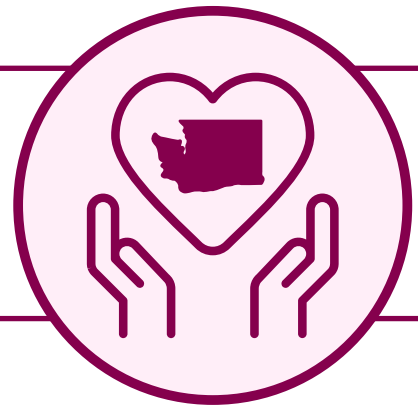
## IMPORTANT NOTE

This guide includes high-level information about starting a nonprofit and refers to other resources that go into more depth. This resource is designed for general use and not for specific characteristics of an individual organization or person. The guide contains information about the laws impacting nonprofit organizations in Washington State. Legal information is not the same as legal advice. Consulting with an attorney to get advice as to how the law should be interpreted related to the specifics of your organization and situation is always a good idea. [Communities Rise](#) is a great place to start if you need legal help. Also, laws impacting nonprofit organizations change over time. The information contained in this guide may become out of date.

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# Introduction to Starting a Nonprofit

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## 1. About this Guide

You and others have come together to embrace an opportunity or address a challenge in your community. You are interested in advancing your efforts and joining Washington State's thriving nonprofit sector. In Washington, there are more than 56,000 nonprofit corporations and approximately 12,000 registered charities. Across the U.S., there are over 1.5 million nonprofit organizations. With all these nonprofits — and the reality that many struggle to stay in existence — carefully consider if creating a new organization is the best approach to achieve your desired impact.

The *Starting a Nonprofit* guide invites you and your group to think about the difference you seek to make and the ideal structure to move forward. The guide leads you through key decision-making points to assess whether a nonprofit is the best way to accomplish your goals. If you decide to move forward with starting a nonprofit, this guide, along with the [Washington Nonprofit Handbook](#), provides information around compliance and practices that support becoming an operational organization. *Starting a Nonprofit* represents a distillation of knowledge, experience, and research from nonprofit leaders, founders, and capacity building organizations.

The guide chapters focus on three main components — what you need to **know**, what you need to **decide**, and what you need to **do**.

- **Part 1:** Exploring What You Need to Know
- **Part 2:** Making Your Decision
- **Part 3:** Starting a Nonprofit

Before you get started, take time to pause, reflect, imagine, and gather interested people in your community. Lay a strong foundation by planning around important questions that will ultimately support the organization's ability to succeed.

Moving from an idea to an organization requires resources, and the *Starting a Nonprofit* guide is here as you begin your journey. This guide is part of a larger offering of resources and materials related to nonprofit boards, finance, legal compliance, planning, and more. Visit [Nonprofit Association of Washington's Learning Library](#) to explore a variety of on-demand resources, and check out [NAWA's event calendar](#) for upcoming in-person and online webinars, workshops, and gatherings. NAWA and a whole community of organizations exist to support you and your group as you achieve your mission.

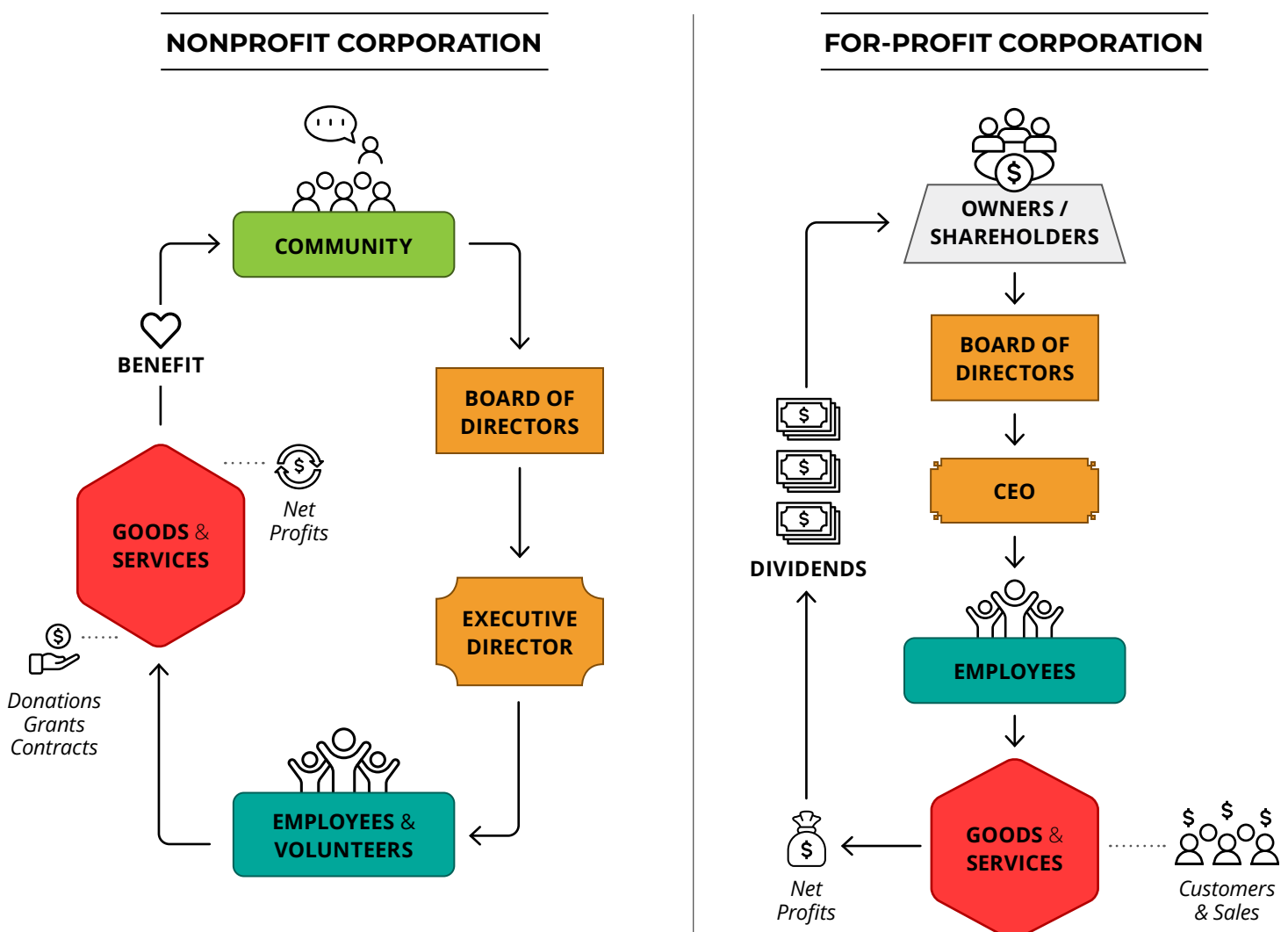
## 2. What Is a Nonprofit?

A **nonprofit** is a type of **corporation** that is created to accomplish a **public benefit**. A nonprofit does not have owners other than the **community at large** and has no shareholders. The organization cannot be set up for the purpose of generating an income or profit for the organizers. Some organizations apply for **tax-exempt status** from the Internal Revenue Service (IRS) so that donations can be tax-deductible to the donor, and the organization can avoid federal corporate income tax. There are many classifications of tax-exempt organizations, one of which is 501(c)(3). You can learn more on the IRS summary pages on [exemption requirements for 501\(c\)\(3\) organizations](#) as well as [other types of tax-exempt organizations](#).

There are several major differences to understand between a nonprofit and for-profit organization.

The main differences are:

- **Owners:** A nonprofit does not have an owner. The organization belongs to the community at large.
- **Profits:** A nonprofit does not share out profits. Any money left over at the end of the year goes back into furthering the mission of the organization.
- **Volunteers:** Most nonprofits have volunteers. A for-profit does not have volunteers.



### 3. Help for Nonprofits:



## GOVERNMENT

### Washington State Office of the Secretary of State, Corporations & Charities Division

The Washington State Office of the Secretary of State, Corporations & Charities Division has information available on nonprofit corporations and charities in Washington, training resources, frequently asked questions, and a live chat option to support your organization.



**WASHINGTON**  
Secretary of State

Corporations & Charities Division

- [www.sos.wa.gov/corporations-charities](http://www.sos.wa.gov/corporations-charities)
- **Corporations Email:** corps@sos.wa.gov
- **Charities Email:** charities@sos.wa.gov
- **Phone:** 360-725-0377

### Internal Revenue Service

The IRS is a bureau of the Department of Treasury with a mission to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness. Tax information, tools, and resources for charities and other tax-exempt organizations are available on the IRS website.



- **General:** [www.irs.gov](http://www.irs.gov)
- **Charities & Nonprofits:** [www.irs.gov/charities-and-nonprofits](http://www.irs.gov/charities-and-nonprofits)
- **Phone — Nonprofit Taxes:** 877-829-5500
- **TTY/TDD:** 800-829-4059



## NONPROFITS

### Nonprofit Association of Washington

Nonprofit Association of Washington (NAWA) convenes a powerful network of nonprofit organizations across Washington State to learn, advocate, and collaborate, so that nonprofits can achieve their missions. NAWA has learning opportunities and resources to help strengthen your nonprofit management practices and build connections with others around the state.



Nonprofit Association  
of Washington

- [www.nonprofitwa.org](http://www.nonprofitwa.org)
- **Phone:** 855-299-2922

### Communities Rise

Communities Rise offers legal services, training, peer learning, and coaching. Communities Rise works with organizations, small businesses, and communities located in Washington State that have been impacted by systemic oppression to increase capacity and build power as well as community leaders in the broader nonprofit, public, and philanthropic sectors to create systemic change.



- [www.communities-rise.org](http://www.communities-rise.org)
- **Phone:** 206-324-5850

### 501 Commons

501 Commons provides expertise to nonprofits through 30+ services, including a full range of management consulting, technology consulting, outsourced HR, accounting, IT infrastructure, and database management as well as professional development and board training, free information, and referral services.



- [www.501commons.org](http://www.501commons.org)
- **Phone:** 206-682-6704

### National Council of Nonprofits

The National Council of Nonprofits is the largest network of nonprofits in North America. The National Council of Nonprofits provides nonprofits with the tools, research, and resources needed to operate more effectively, efficiently, and ethically.



- [www.councilofnonprofits.org](http://www.councilofnonprofits.org)
- **Phone:** 202-962-0322



## PART 1:

# Exploring What You Need to Know

### CHAPTER OUTLINE

1. Many Ways to Meet a Community Need
2. Running a Nonprofit
3. Community Matters When Starting a Nonprofit
4. Planning Is a Key Element

If you are thinking about starting a nonprofit, there are several big ideas to explore before moving forward.

- A nonprofit is one way among many to meet a community need, and if control is important to you, consider a format other than a nonprofit.
- Running a nonprofit is hard work that includes ongoing administrative and fundraising work on top of programs or services provided.
- Community really matters in starting a nonprofit.
- Planning is a key element in starting a nonprofit and improves an organization's ability to succeed.

## 1. Many Ways to Meet a Community Need

Starting a new nonprofit may not be necessary to make a difference. There are many options to consider when determining the best choice for your work, focus area, and community.

- **Join an Existing Effort:** There may be a good nonprofit near you with a similar mission. Volunteer with the organization, join their board, or apply to work as a staff member.
- **Form a Chapter:** Is there a national or regional nonprofit working on the cause your group wants to address? Talk with the organization about starting a local chapter.
- **Find a Fiscal Sponsor:** Find an organization with an aligned mission, or a focus on providing fiscal sponsorship services, and enter into an agreement to operate under their tax-exempt status. Learn more about fiscal sponsorship through the [Fiscal Sponsorship Toolkit](#) produced by Communities of Opportunity and Communities Rise.
- **Stay Unincorporated:** If you are not raising money from the public, employing staff, or engaging in activities that involve risk or liabilities, you may not need to become a nonprofit corporation or tax-exempt organization. Being active as a group of community members may give you more time to focus on your cause than you would have if you added the responsibilities of running an organization.

- **Be a For-Profit Business:** Many for-profit businesses have a strong commitment to their community. By operating in a socially responsible way and/or providing in-kind donations and services to nonprofits, for-profit businesses can make a tremendous difference in communities.
- **Form a Social Purpose Corporation:** Your idea may be a business with a strong social conscience. A social purpose corporation is a type of for-profit company with a social purpose. Washington State law has a specific corporate statute for social purpose corporations (see [RCW 23B.25](#) for more details).

If control is important to you, consider a format other than a nonprofit. There is nothing wrong with wanting control of how an organization operates. However, a nonprofit corporation is not the right option if you want to maintain control over how the work gets done. A nonprofit is governed by a board and no one individual has control.

## 2. Running a Nonprofit

You and your group want to create a nonprofit to further the work you all love or want to see happen in the community. One of the less-visible realities of running a nonprofit organization is the time you spend outside of program or service work in meetings about governance, fundraising, and operations. Nonprofit work, particularly at the beginning, is made up of compliance tasks, meetings, and fundraising.

- **Compliance Tasks:** There are various state, federal, and local compliance-related tasks that every nonprofit needs to complete. Some items are one-time filings, while others are annual filings or licenses. Compliance tasks take time, organization, money, and possibly advice from finance or legal experts.
- **Meetings:** A nonprofit is governed by a board of directors, and members should be representative of the communities served. Typical meetings include board meetings, committee meetings, volunteer meetings, and other gatherings to assemble ideas and move planning forward together.
- **Fundraising:** Most nonprofit money comes from individuals, not grants or sponsorships. New organizations are often sustained by a few individuals while the board builds a larger community of people who care about the nonprofit's mission. For the first year or two, assume that your community of family, friends, and close partners will be the primary financial supporters of the organization. During this time, the organization establishes the needed track record to apply for grants and contracts that will generate revenue.

Providing the programs or services of the organization is work that happens on top of the ongoing administrative and fundraising efforts.



### 3. Community Matters When Starting a Nonprofit

Most nonprofit work comes down to relationships, both within the organization and between the organization and the larger community. Building lasting community connections is an essential practice and key part of a nonprofit's ability to do their work.



*When starting a nonprofit, people commonly wear multiple hats as they may serve many different roles. Communicating which hat they are wearing in each situation is helpful.*

- **Community:** A nonprofit exists to benefit the community. This means strong relationships with key community members are vital. This includes the people who care most about the organization's mission, people you serve, other nonprofits working in the cause area, business leaders, elected officials, donors, potential donors, service clubs, and many others.
- **Board:** The board is the backbone of the organization, particularly as the nonprofit gets started. Board members courageously put their time, talents, and energy towards a cause that matters to them. A board that works as a team with trust and intentionality is a powerful asset to a new nonprofit. Key decisions are made by the board as a group, not by a single person.
- **Volunteers:** A nonprofit meeting a community need will attract people who care and want to help. Volunteers matter greatly to a nonprofit's success, especially in the short-term as funds build up to hire staff (if this is the direction you and the board choose).

### 4. Planning Is a Key Element

Before embarking on your nonprofit journey, mapping out plans to guide where you are going is helpful. There are two initial plans to consider depending on your stage of development.

- **Organizing Plan:** Prior to deciding to form a nonprofit, reflect on and document details about the need you seek to address, the organization's purpose and approach, funding potential, and community engagement. (An organizing plan worksheet is available under the Nonprofit Starter Materials section of this guide.) Share your organizing plan with others who care about your cause area or have experience with nonprofit management and fundraising.
- **Business Plan:** Before you begin to raise money, create a document that explains your goals and how you plan to achieve them. This plan lays out who the organization will serve, how the organization will serve the community, how the organization will operate, and how the organization will be funded. (A business plan template is available under the Nonprofit Starter Materials section of this guide.) A business plan is a great tool to develop responses for the IRS application to receive tax-exempt status ([Form 1023, Application for Recognition of Exemption under 501\(c\)\(3\)](#)).

There are many examples of completed business plans available online.

The [National Council of Nonprofits "Business Planning for Nonprofits" resource page](#) is a great guide and includes many helpful links. The Brigdespan Group also offers [sample nonprofit business plans](#) on their website.



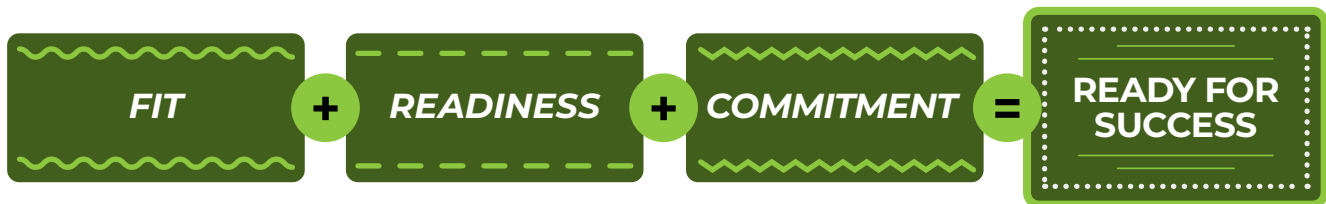
## PART 2: Making Your Decision

### CHAPTER OUTLINE

1. Finding the Right Fit
2. Determining Your Readiness
3. Check-In: How Are You Feeling?
4. Assessing Overall Commitment
5. Decision-Making Action Map

Once you know more about setting up and operating a nonprofit, you are ready to decide whether to start a nonprofit organization. There are three main stages of decision-making.

- **Fit:** A nonprofit is one way to make a difference. There are many other options that may be a better fit for what you want to achieve.
- **Readiness:** After you decide a nonprofit is the right fit, spend time doing research and thinking about whether you and your community are ready for a new nonprofit.
- **Commitment:** Ready, set... do we really want to go? Before you set out on this journey, pause one more time to decide if you are ready to take on the leadership role that starting a nonprofit entails.



### 1. Finding the Right Fit

Take time to find the right fit for what you and your group are working to achieve. There are many ways to make a difference in your community. Before making a decision to set up a nonprofit, ask yourself the following questions and write down notes and next steps in the space provided.

#### Ask Yourself...

#### Notes & Next Steps

- What challenge, issue, or opportunity are you working to address?
- Are you and your group the people best suited to lead the efforts?

Questions Continue on Next Page

**Ask Yourself...****Notes & Next Steps**

- What approach have you identified to help reach your desired outcomes?
- Is the approach new, unique, or likely to be more effective than other methods?

- What resources (time, energy, money, etc.) do you have access to for starting and sustaining the organization?

- What other organizations are working in this cause area?
- What programs, services, or activities are these organizations doing?

- How much control do you want or need to do the work?

**Remember:** with a nonprofit, a board of directors governs the organization (not the founders or another individual), and the nonprofit is for the public good and cannot benefit any individual people or be controlled for the benefit of any individual people.

Other questions to consider:

- **Do you have to become an IRS tax-exempt organization?:** The short answer is no. If you are not soliciting donations from the public, grants from foundations or companies, or government contracts you may not need the benefits provided by becoming a 501(c)(3). For more information, review “To 501(c) or Not to 501(c)” in Part 3: Starting a Nonprofit, section 2. Federal Law.
- **What type of tax-exempt organization fits your purpose?:** 501(c)(3) is one category of tax-exempt status. Others include 501(c)(4) social welfare organizations, which advocate for causes and spend money changing policies and public perceptions, and 501(c)(6) chambers of commerce organizations. There are also special rules for religious organizations. You might want to [review this IRS list of types of tax-exempt organizations](#) with an attorney to make sure you identified the correct category.

After reflecting on the prior questions, use the following chart to assess whether a nonprofit organization is the right way for you to meet your goals. The chart describes characteristics around **Purpose**, **Control**, and **You** as an individual. There are alternative approaches provided as well as a brief explanation of why for each item.

## Decision-Making: Is A Nonprofit The Right Way For You To Make A Difference?

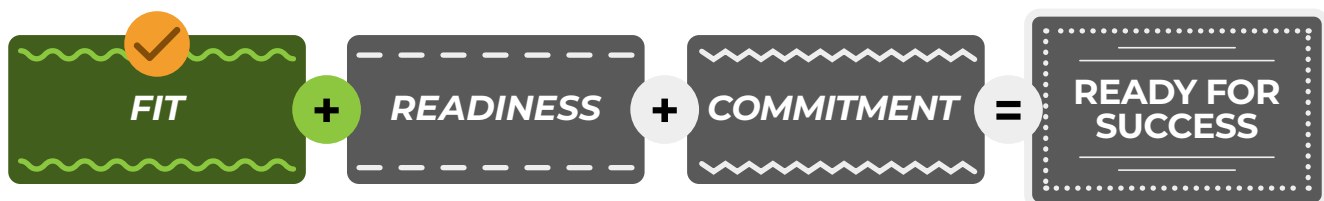
	Characteristic	Alternatives	Why
<b>PURPOSE</b>	You want to earn a profit while doing this work.	For-profit Social purpose corporation	There is nothing wrong with the goal of earning a profit. However, a nonprofit is created without a profit motive. Any funds left at the end of the year have to be reinvested and cannot go to individuals.
	You want to fund yourself to work on this cause or offer your services at a reduced cost to people in need.	Partner with an existing organization Work for a nonprofit	You may think that grant funds are easy to get – they are not! Securing grants to sustain the work may take a long time and might never happen.
	You want to address a short-term need or help a very specific population. This is a one-time event.	Partner Fiscal sponsorship	Working with an established organization can be fast and efficient.
<b>CONTROL</b>	You want to make key decisions. You want control over the work. You need to sell the entity when you're done.	For-profit Social purpose corporation	A nonprofit is governed by a board. No one individual has control. The organization is subject to reporting and disclosure requirements, in some cases beyond those of for-profit enterprises.
<b>YOU</b>	You just want to help.	Volunteer for an existing nonprofit Serve on a board	There are many ways to help within existing organizations.
	You have limited time.	Volunteer for an existing nonprofit	Nonprofit work takes a lot of time.
	You have specialized knowledge and skills.	Volunteer for an existing nonprofit Start a new program at an existing nonprofit Advocate on behalf of the cause Do public speaking Teach Serve on a board	There are many ways to use your knowledge and skills effectively.

Deciding not to start a nonprofit should be considered a sign of success, because you can legally accomplish your goals without becoming a nonprofit. The energy you would have put towards starting and maintaining the nonprofit can now go into accomplishing your goals to benefit your community.

After completing the reflection questions and reviewing the decision-making chart, if you plan to continue forward in the guide, the following should be true.

- Your purpose is to serve the public on an issue or opportunity over time, not something quickly addressed. You do not intend to make a profit, be subsidized for your existing work, or give money to specific individuals.
- You have no intention of holding control over the organization. You understand a nonprofit is governed by a board of directors that ensures the organization benefits the community.
- Strong relationships exist with key community members, and a group of people are engaged with the work. You and your organizing partners have the time, energy, and commitment to do the work of this organization and have access to needed resources for some time to come.

**You completed the first step towards deciding if a nonprofit is the right fit!**



**Now move on to determining your readiness.**

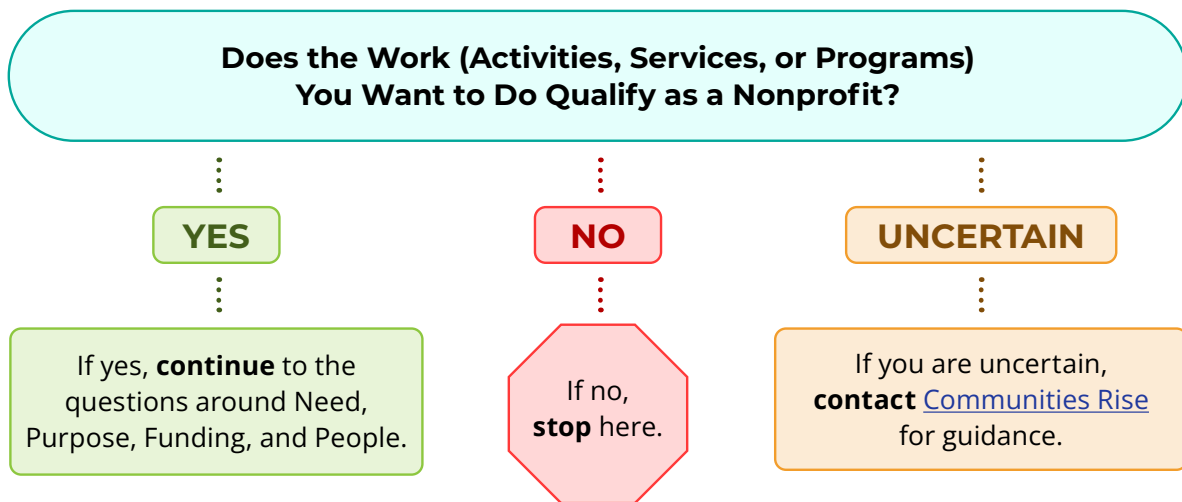
## 2. Determining Your Readiness

If a nonprofit corporation is the best way to address your issue or opportunity, you will enter a second decision-making phase to determine if you and your community are ready to start a new nonprofit. The main areas to explore are need, purpose, funding, and people.

- **Need:** Is there a demonstrated need? Is that need unmet currently by others?
- **Purpose:** Due to the nonprofit's work, what specific results or outcomes will happen?
- **Funding:** How will you get the funding and resources needed to start and sustain the organization? Is there start-up funding available to your group?
- **People:** Do you have people with the needed experiences, skills, and knowledge ready to commit their time, talents, and/or money towards starting and maintaining a nonprofit?

Starting a nonprofit involves a lot of community building, research, and planning. If you decide you and your group are not ready to start a nonprofit, consider laying out a timetable and work plan to reassess in the future.

## Decision-Making: Is Your Community Ready for a New Nonprofit?



The following questions can help guide conversations with your group as you decide whether or not to start a nonprofit. If you decide to start a nonprofit, you will use these responses to develop your organizing plan. *(This worksheet is also available under the Nonprofit Starter Materials section of this guide.)*

### Ask Yourself...

### Notes & Next Steps

#### NEED

- What is the challenge, issue, or opportunity you want to address?

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- What demonstrates that need?

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- What other organizations are working on this cause area?

---

- What is different or unique about your approach?

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*Questions Continue on Next Page*

**Ask Yourself...****Notes & Next Steps**

- How might you partner with an existing organization?

**PURPOSE\***

- What is your mission?

- What does success look like?

- What activities will allow you to achieve success?

**FUNDING**

- What individuals, groups, governmental agencies, or companies will commit resources to your organization? Make a list of them.

- Who else will commit resources (foundations, businesses, etc.)?

- What commitments have any of the identified individuals, groups, governmental agencies, foundations, etc. made?

- What can the organization do to generate revenue? How do you know the identified actions will generate revenue?

## Ask Yourself...

## Notes &amp; Next Steps

**PEOPLE**

- Have you spoken to community members about your idea? Is there community support?

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- Have you spoken with community members experiencing the challenge or issue you are working to address? What do they say is needed?

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- Have you established relationships with other community members interested in your purpose?

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- Have any other community members or partners committed to collaborating with you on this work?

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- Who will serve on your founding board? (You should have at least three unrelated people.)

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- Have you identified the skills, experiences, and knowledge needed of the founding board members (for example: finance skills, community connections, or fundraising experience)?

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- What skills do you and your supporters have to contribute to the organization?

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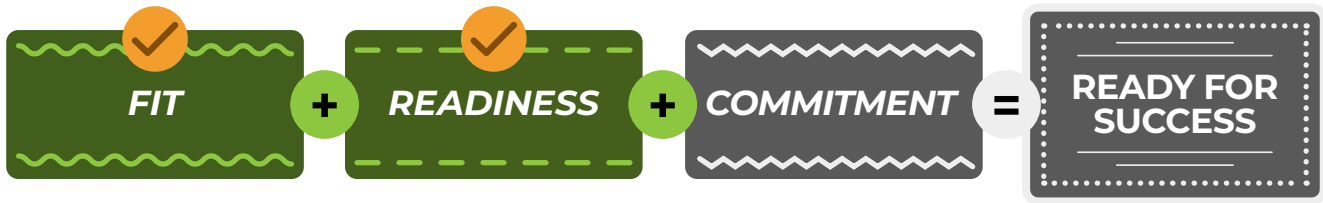
- What skills will you need from outside of the organization?

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At this point, you should have clarity around the need, purpose, funding, and people.

- Need:** There is a demonstrated unmet need.
- Purpose:** The specific results or outcomes you want to achieve and for whom are clearly defined.
- Funding:** The group understands the need to identify start-up funding and resources to sustain the work.
- People:** People with the needed experiences, skills, and knowledge are ready to commit to the hard work of starting and maintaining a nonprofit.





Before moving on, complete the following check-in activity to help understand how each person in your group is feeling at this point about starting a nonprofit and how these emotions may affect the decision-making process.

### 3. Check-In: How Are You Feeling?



Starting a nonprofit is an emotional time for many. In general, emotions motivate us to do things. The emotion around your work is important, and understanding your emotions will help you honor them as you move forward.

#### Typical Emotions Related to Starting a Nonprofit Include:

- Anger (that the community need exists)
- Anticipation
- Apprehension
- Confusion
- Curiosity
- Doubt (Can I do it?)
- Enthusiasm
- Excitement
- Fear
- Hope
- Impatience
- Inspiration
- Outrage
- Passion
- Satisfaction
- Self-confidence
- Worry

By recognizing your emotions, you are honoring your heart's connection to the cause that most likely brought you into this work. Acknowledging the range of possible emotions better prepares you to deal with the emotions exhibited by others involved in the process.

- From the list above, circle the emotions you feel most right now. If you are feeling emotions not listed, take the time to write them down.
- Invite your fellow organizers to identify what they are feeling right now.
- Talk about the emotions you are feeling throughout the process of starting a nonprofit.
- Write down some ideas about how you can continue to channel your emotions in a useful way.
- Sometimes emotions keep us from seeing the bigger picture. Consider the following reflection questions.
  - What is the potential negative side or drawback of the emotions you are feeling?
  - How might your emotions, or those of your group, be holding you back?

### 4. Assessing Overall Commitment

The final decision-making phase is assessing overall commitment levels. Are you and your group truly ready for the work of starting a nonprofit? The main areas to assess are time, energy, connections, and community.

- **Time:** Are you ready and able to devote the time needed now and into the future?
- **Energy:** Do you have the energy to put towards starting this organization?

Questions Continue on Next Page

- **Connections:** Do you have community support? Are you willing to engage your relationships with family, friends, and close partners to help grow and sustain the organization, at least in the short-term?
- **Community:** Do you trust your fellow board members and community partners in this effort?

## Decision-Making:

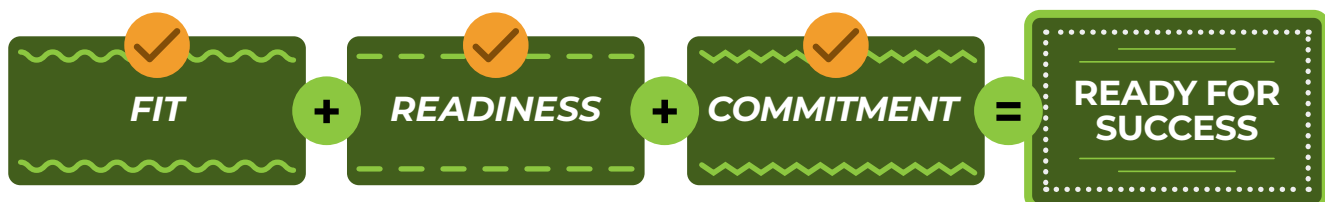
### Are You and Your Community Committed to the Long-Term Work of a New Nonprofit?

Think critically about the following statements and answer honestly. If you and other key members of your group answer “Yes” to all the statements, you are ready to start a nonprofit. If any concerns arise as you complete the worksheet, stop and talk about what is coming up for you and explore possible reasons why.

Commitment Statement	Yes	No
I am ready to invest significant amounts of time, energy, and connections into the success of this organization.		
I understand a nonprofit is a corporation with a structure much like a business.		
I know the work of a nonprofit is long-term. I am ready to support this work for at least a few years.		
I understand that I will not have control over the organization. This nonprofit endeavor is about serving others, not about me or benefiting my interests.		
I have done considerable research to know about other organizations doing this work and believe we are complementary to existing efforts.		
I understand that nonprofits are mostly funded by individual donors, and that my community of family, friends, and close partners will be the primary financial supporters of the organization, at least in the short-term.		
I know there is broader community support for this nonprofit and its mission.		
I am excited about the difference we will make together.		

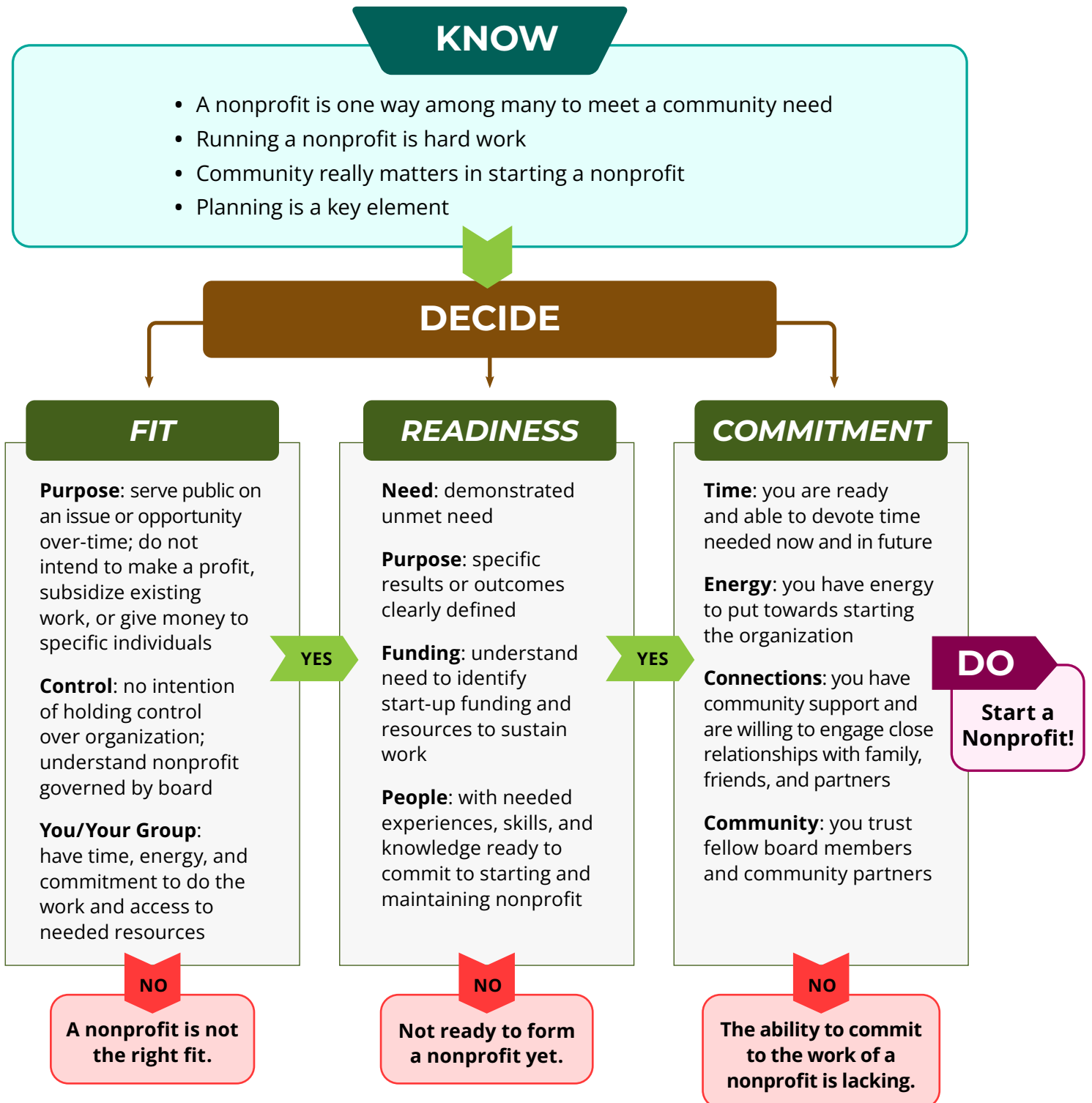
**CONGRATULATIONS!**

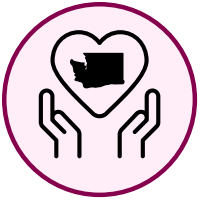
You made it through the three stages of decision-making in the *Starting a Nonprofit* guide.



## 5. Decision-Making Action Map

The action map is intended to serve as a support tool throughout your decision-making process. Take time to review Parts 1 and 2 of this guide before working through this activity. If you decide your group is not ready or the ability to commit is lacking, remember you can lay out a work plan and timetable to reassess in the future. You can use the action map to check your progress towards deciding if starting a nonprofit is right for you and your group.





## PART 3:

# Starting a Nonprofit

### CHAPTER OUTLINE

1. Five Main Pathways of Activities
  - A. State Law
  - B. Federal Law
  - C. People
  - D. Planning
  - E. Operations
  - F. Five Pathways Summary
2. Build Strong Practices
  - A. Community Connections
  - B. Clear Roles and Systems
3. Get Ready for Transition

You decided to start a nonprofit. You completed due diligence in making a decision that you and your community stand behind. Now what comes next? There are several key areas to consider as you begin the actual work of starting a nonprofit organization.

- There are five main pathways of activities involved in starting a nonprofit: **State, Federal, People, Planning, and Operations.**
- Building strong practices from the start supports the organization's ability to succeed.
- A nonprofit often transitions from "start-up mode" to being operational faster than expected, so prepare for the transition.

## 1. Five Main Pathways of Activities

In this section, get acquainted with the five main pathways of activities involved in starting a nonprofit. From registering with government agencies to people, planning, and operations items, there are many activities to coordinate and complete. At the end of this section, there is a five pathways summary reference sheet that includes specific actions related to each pathway.

### A. State Law

You will need to register with Washington State agencies. There are three main offices to be aware of and possibly communicate with as you start the nonprofit organization.

- **Office of the Secretary of State, Corporations:** You apply to the Office of the Secretary of State to become a nonprofit corporation. This process is called "incorporation." Once the organization legally becomes a corporation, it must act like a corporation.

This means the organization is no longer a project of yours. You must keep corporate assets, including money, separate from personal assets. You must document and keep corporate records of corporate activities like board meetings and board decisions. Also, you are required to submit an Annual Report every year by the last day of the organization's incorporation month.

- **Office of the Secretary of State, Charities:** If you ask members of the general public to give to your organization and raise at least \$50,000 annually in Washington, or if you pay anyone to do the work of the organization, you will apply to the Office of the Secretary of State to register as a charitable organization. You are then required to submit an Annual Renewal every following year no later than the last business day of the eleventh month after the end of the organization's accounting year.
- **Department of Revenue:** You may need to apply for a Master Business License if you are conducting certain kinds of business, hire employees, or have a trade name. Visit the [Department of Revenue nonprofit organizations resource page](#) for more information on whether you need to apply for a Master Business License.

The resource on the following page outlines the requirements for nonprofit corporations and charitable organizations in Washington State. Be sure to verify which type of organization you are and remember you may qualify as both.

### Registering in Washington State:

For more on State Law, check out the [Washington Nonprofit Handbook](#) and [review Chapter 1: State Law of NAWA's Let's Go Legal](#) resources.

# Stay Up-to-Date with the Secretary of State

Nonprofit and charitable organizations need to register and stay up-to-date with the Office of the Secretary of State.

- 1 Check which type of organization you are.
- 2 Note your key dates.
- 3 Put those dates onto your organizational calendar.

1

## Nonprofit Corporation

**WHAT IS IT?** A private corporation for which no part of the income is distributable to its members, directors, or officers. It is formed to benefit the public, a specific group of people, or the membership of the nonprofit.

### ANNUAL REQUIREMENTS

1. **What:** Annual Report
2. **When:** Last day of organization's incorporation month. A reminder will be sent to the registered agent at least 30 days prior to required filing date.
3. **Fee:** \$20 (revenues <\$500k/year)  
\$60 (revenues >\$500k/year)

2 Your Incorporation Date: \_\_\_\_\_

Your Annual Report Filing Date: \_\_\_\_\_

*For example: an incorporation date of March 3, 2002 would have an annual report filing date of March 31 each year. File online!*

3



### ADD TO CALENDAR

...and don't forget to update address changes if you move or change contact person.

## Nonprofit and Charitable Organization

- ◆ 60% of charitable organizations are also nonprofit corporations.
- ◆ They include many of the organizations we know providing direct service, supporting the arts, or advocating for causes.
- ◆ They follow both sets of requirements to be in compliance with the Secretary of State.

## Charitable Organization

*or individuals soliciting on behalf of organizations*

**WHAT IS IT?** An entity that solicits or collects contributions from the general public in Washington to be used to support a charitable purpose. May or may not be a corporate structure.

In Washington, includes organizations that:

- Raise at least \$50,000 annually in Washington; **OR**
- Pay anyone to carry out the activities of the organization.

### ANNUAL REQUIREMENTS

1. **What:** Annual Renewal
2. **When:** No later than the last business day of the eleventh month after the end of the organization's accounting year. Earlier reporting welcome!
3. **Fee:** \$40

2

Your Accounting Year End: \_\_\_\_\_

Your Charities Filing Date: \_\_\_\_\_

*For example: an accounting year of Dec 31, 2022 would have an annual renewal filing date of Nov 30, 2023.*

Developed by:



Nonprofit Association  
of Washington



WASHINGTON  
Secretary of State

Corporations & Charities Division

For more information, visit the

[Office of the Secretary of State,  
Corporations & Charities Division website.](#)

## B. Federal Law

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If the organization is raising money from individuals, foundations, government, or corporations, apply for tax-exempt status under Internal Revenue Code Section 501(c)(3). This is an optional item, which your organization may decide is not needed. The following information provides additional details on whether your State-registered nonprofit needs to obtain tax-exempt status with the IRS.

### To 501(c) or Not to 501(c)

#### Are You Trying to Decide if Obtaining 501(C)(3) Status Is Worth It?

Being tax-exempt means the organization does not have to pay federal corporate income tax on revenues and contributions given to your nonprofit may be tax-deductible to the donor. You must apply for this exemption and file an annual report (IRS Form 990). Ask yourself the following questions.

- **Does a current or future funder require federal tax exemption?**

Most government, foundation, and corporate funders require that you have tax-exempt status. If you do not plan to apply to government agencies or foundations for funding, this is not a consideration you need to address. If you do plan to apply to government agencies or foundations, your nonprofit will need its own tax-exempt status under 501(c)(3) or you must be fiscally sponsored by another nonprofit with 501(c)(3) status.

- **Do you anticipate your individual donors wanting the ability to deduct donations on their tax returns?**

This is only helpful for people who itemize on their annual tax return. You may get most of your donations from people who do not care about having the ability to deduct donations on their tax returns. Donors should consult their tax advisors regarding the tax implications of their gifts.

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[Visit the Washington Nonprofit Handbook](#) for more information when considering whether and when to seek 501(c)(3) status.

Additional federal topics are covered by [NAWA's Finance Unlocked for Nonprofits](#) and [Let's Go Legal materials](#).

## **C. People**

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As discussed in Part 1 of the guide, community and people matter when starting a nonprofit. The organization's board, volunteers, and community are instrumental in a nonprofit's success. The activities tied to this pathway provide opportunities to build lasting connections and create a solid foundation for the organization. Remember, most nonprofit work comes down to relationships, both within the organization and between the organization and the larger community.

## **D. Planning**

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Through Part 2 of the guide, you began critical planning work. The activities tied to this pathway are essential as your nonprofit moves forward. From defining your mission to developing a work plan, keep thinking about the organization's future and documenting the plans. An organizing plan worksheet, business plan template, budgeting worksheet, and fundraising plan worksheet are available under the Nonprofit Starter Materials section of this guide.

## **E. Operations**

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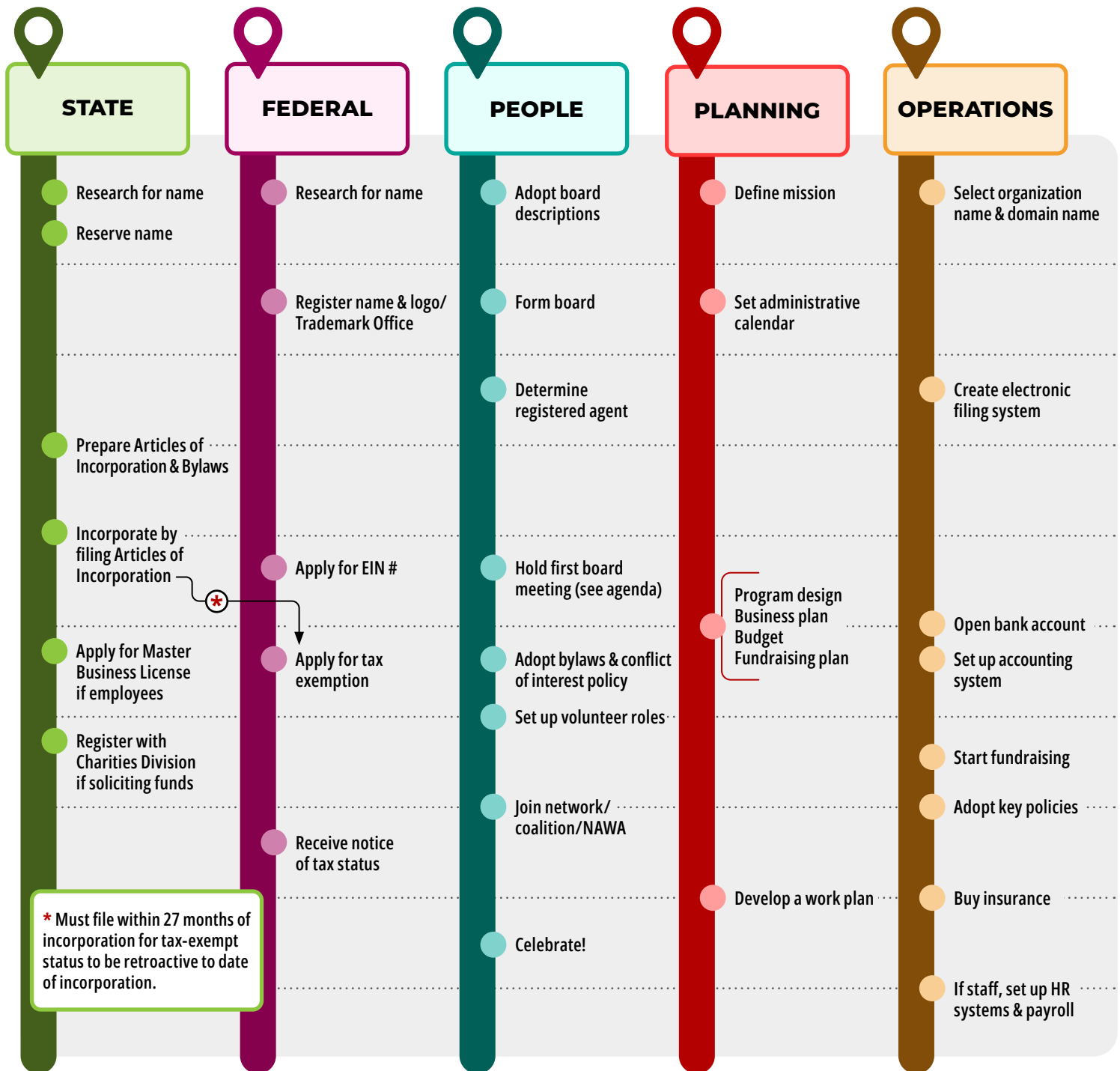
Activities that support the effective running of your nonprofit take time, organization, money, and possibly advice from finance, legal, or HR experts. From setting up the organization's electronic filing system to establishing key policies, create the space to approach each operations task intentionally. Initial operations activities will produce policies, practices, and systems that will hopefully serve the organization for years to come.



## F. Five Pathways Summary

Serving as a reference sheet through your journey to start a nonprofit, the following summary timeline graphic provides key activities related to the five pathways: state, federal, people, planning, and operations. Depending on where you are currently at in the process, activities may occur across all five pathways simultaneously.

*Yes! I want to start a nonprofit.*



## 2. Build Strong Practices

Building strong practices from the beginning supports the organization's ability to succeed. Whether the practices are focused on clear roles and systems or community connections, you will save time and potential frustration later by starting with strong practices.

### A. Community Connections

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Forming and stewarding community connections is an essential practice and an important part of a nonprofit's ability to do their work. Starting and operating a nonprofit is a lot of work and cannot be done alone. Developing strong relationships with key community members is a critical piece of starting a nonprofit. Remember, this includes the people who care most about the nonprofit's mission, people you serve, other nonprofits working in the cause area, donors and potential donors, elected officials, and many others.

Creating purposeful opportunities for connection with others is an important practice. The following list provides some examples, and you should think about other ideas that may be specific to your organization and community.

- Talk to other community members involved in similar activities – learn about what they are doing and share what you are doing. Ask if they are interested in being part of the work or know others who might be interested in getting involved.
- Start board meetings by stating the organization's mission and include the mission statement at the top of board meeting agendas.
- Build time for gratitude in your meetings.
- Schedule at least 10 minutes of learning time into board meetings.
- Schedule a retreat or dedicated space at least once a year for strategic planning and assessment.
- Create transparency around the organization's efforts by regularly sharing updates on the work with the community.
- Join a local nonprofit network or a coalition connected to the work your organization is doing.
- [Become a member of the Nonprofit Association of Washington](#) (NAWA), your nonprofit state association.
- Explore resources available through [NAWA](#), [501 Commons](#), and [Communities Rise](#).

### B. Clear Roles and Systems

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When you start a nonprofit, many decisions can happen quickly. Keeping track of documents, deadlines, filings, etc. can be challenging. Creating clear roles and systems is a practice that will serve the organization now and in the future. The following list provides some examples, and you should think about other ideas that may be specific to your organization and work.

- Create an electronic filing system or board binder to keep key corporate documents safe and available. Make sure all board members have access to these documents.
- Create an administrative calendar with key compliance deadlines and annual activities like budgeting.
- Choose a Registered Agent for the Office of the Secretary of State who is reliable and has a stable mailing address.
- Discuss Conflict of Interest and adopt a policy as soon as possible. Have a Conflict of Interest Policy in place before applying for tax exemption. (More information is available through [NAWA's Boards in Gear](#) and [Let's Go Legal](#) materials.)
- Discuss and create a board member position description. (Check out [NAWA's Board Member Position Description Resource](#) for a guiding activity and helpful resource links.)
- If you have staff, discuss and create clear job descriptions. ([NAWA's Workers in Nonprofits](#) materials are customized to nonprofits to help employers navigate the lifecycle of their workers.)

### 3. Get Ready for Transition

A nonprofit often transitions from “start-up mode” to being operational faster than expected, so get ready for the transition. As you start your nonprofit, have this transition in mind so it does not take you by surprise. Below are a few activities to work on as the organization begins to operate.

- **Board Development:** When the board is thoughtful about composition and development, the board can better provide organizational oversight needed to achieve the nonprofit’s mission and steward valuable resources. Intentional board development can create space for community members served by the organization to bring their unique insights and experiences to the board. Chapter 3 of [NAWA's Boards in Gear](#) is devoted to composition and development.
- **Plan-Building:** Whether the nonprofit is ready for a business plan or strategic plan, the work of plan-building is important as you prepare for the transition from start-up to operational. Take time to plan the organization’s activities and finances for the next year so you know where you are headed and have an idea of how you will get there.
- **Funding Plan:** This is a vital part of plan-building to highlight since money and resources are the fuel that propels the nonprofit forward. Develop a plan with multiple funding sources to help increase the organization’s financial stability.
- **Staffing:** Many nonprofits never hire staff, while others seek to hire staff early in the organization’s lifecycle. If bringing on staff is something on your nonprofit’s horizon, take time to plan and understand employment law basics before starting the staffing phase. More on employment law is available in [NAWA's Let's Go Legal](#), and review [Workers in Nonprofits resources](#) to help navigate the larger lifecycle of a nonprofit worker.

**CONGRATULATIONS!**

You made it through Parts 1, 2, and 3 of the *Starting a Nonprofit* guide.

Continue to the final section of the guide, Nonprofit Starter Materials, for helpful checklists, templates, and worksheets. Lastly, do not forget a whole community of organizations exists to support you and your new nonprofit as you achieve your mission. We look forward to connecting with you soon!



# Nonprofit Starter Materials

## CHAPTER OUTLINE

1. Checklists
  - A. Basics of Starting a Nonprofit
  - B. Basics of Running a Nonprofit
2. Templates and Worksheets
  - A. Resource Navigator Worksheet
  - B. Organizing Plan Worksheet
  - C. Business Plan Template
  - D. Budgeting Worksheet
  - E. Fundraising Plan Worksheet
  - F. Preparing for the Unexpected
  - G. Administrative Calendar
  - H. First Board Meeting Agenda Worksheet
3. Glossary

This section of the guide includes checklists, templates, worksheets, and a glossary to support the work of starting a nonprofit. We encourage you to use or adapt the Nonprofit Starter Materials to best suit your group.

## 1. Checklists

The following checklists summarize the main tasks involved with starting and running a nonprofit. Each checklist also includes space to capture notes and next steps.

### A. Basics of Starting a Nonprofit

There are many tasks to complete when starting a nonprofit. In Part 3 of the guide, you learned about the five main pathways of activities, and this checklist aligns with the five pathways summary graphic. Refer to the [Washington Nonprofit Handbook](#) for more details.

## Tasks for Starting a Nonprofit

## Notes & Next Steps

## STATE

- Research for name** (Office of the Secretary of State website and/or browser search)
- File “name reservation”** (optional)
- Prepare Articles of Incorporation & Bylaws**
- Incorporate by filling Articles of Incorporation**
- Apply for Master Business License**
- Register with the Office of the Secretary of State, Charities Division** if you plan to solicit funds or pay anyone to do the work of the organization

*Tasks Continue on Next Page*

[nonprofitwa.org/learn](http://nonprofitwa.org/learn)

**Tasks for Starting a Nonprofit****Notes & Next Steps****FEDERAL**

- Research for name
- Register name and logo with the US Patent and Trademark Office
- Apply for EIN#
- Apply for tax exemption (*must file within 27 months of incorporation for tax-exempt status to be retroactive to date of incorporation*)
- Receive notice of tax status

**PEOPLE**

- Organizing group adopts board position descriptions
- Form board
- Determine Registered Agent
- Hold first board meeting
- Adopt Bylaws and Conflict of Interest Policy
- Set up volunteer roles
- Join network/coalition/Nonprofit Association of Washington
- Celebrate

*Tasks Continue on Next Page*

**Tasks for Starting a Nonprofit****Notes & Next Steps****PLANNING**

- Define mission
- Set administrative calendar (key compliance dates, state/federal filings, business license renewals, annual budgeting, etc.)
- Start program design, business plan, budget, and fundraising plan
- Develop a work plan

**OPERATIONS**

- Select organization name and domain name
- Set up an organizational email domain (using Office 365, Google Apps, or another platform)
- Create electronic filing system
- Open bank account
- Set up accounting system, including Chart of Accounts
- Start fundraising
- Adopt key policies including:
  - Financial procedures and policies
  - Document Retention & Destruction Policy
  - Conflict of Interest Policy
  - Whistleblower Policy
- Buy insurance
- If staff, set up HR systems and payroll

## B. Basics of Running a Nonprofit Checklist

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Once a nonprofit is started, there are many tasks associated with operating the organization. This checklist provides the main items and is not comprehensive or specific to all tasks that may apply to your organization. [NAWA's Nonprofit Fundamentals resources](#) including Boards in Gear, Finance Unlocked for Nonprofits, and Let's Go Legal provide more information on many of the items in the checklist.

### Tasks for Running a Nonprofit

### Notes & Next Steps

#### STATE

- Annual Report for nonprofit corporation with Office of the Secretary of State** (due the last day of the organization's incorporation month)
- Annual Renewal for charitable organization with Office of the Secretary of State** (due no later than the last business day of the eleventh month after the end of the organization's accounting year)

#### FEDERAL

- Annual filing of IRS Form 990** (due by the 15th day of the 5th month after the end of the organization's fiscal year)

*Tasks Continue on Next Page*

**Tasks for Running a Nonprofit****Notes & Next Steps****PEOPLE**

- Regular board meetings — at least every other month
- Annual meeting if a membership organization
- Board recruitment, selection, and orientation process
- Review of policies and procedures:
  - Document Retention & Destruction Policy
  - Conflict of Interest Policy
  - Whistleblower Policy
  - Committee charters
  - Board member position description
  - Officer position descriptions

**PLANNING**

- Annual work plan
- Strategic plan – on a regular cycle (2-5 years is typical)

**OPERATIONS**

- Review financial controls
- Review risk factors
- Review insurance
- If employees, review staff job descriptions



## 2. Templates and Worksheets

From navigating resources to getting ready for your first board meeting, this section is full of useful templates and worksheets. You are invited to use and adapt the templates and worksheets to best support your organization’s needs. Additional templates, worksheets, and samples are available through [NAWA's Learning Library](#).

### A. Resource Navigator Worksheet

In Washington, there is a collection of organizations whose missions center on supporting the success of nonprofits. Working with partners across the state, these organizations are able to connect you with local nonprofits, consultants, service providers, and networks. Use the resource navigator worksheet to determine who can best help you. Good news, the Washington-based organizations listed work closely together and any of them may serve as an entry point to getting the assistance you need.

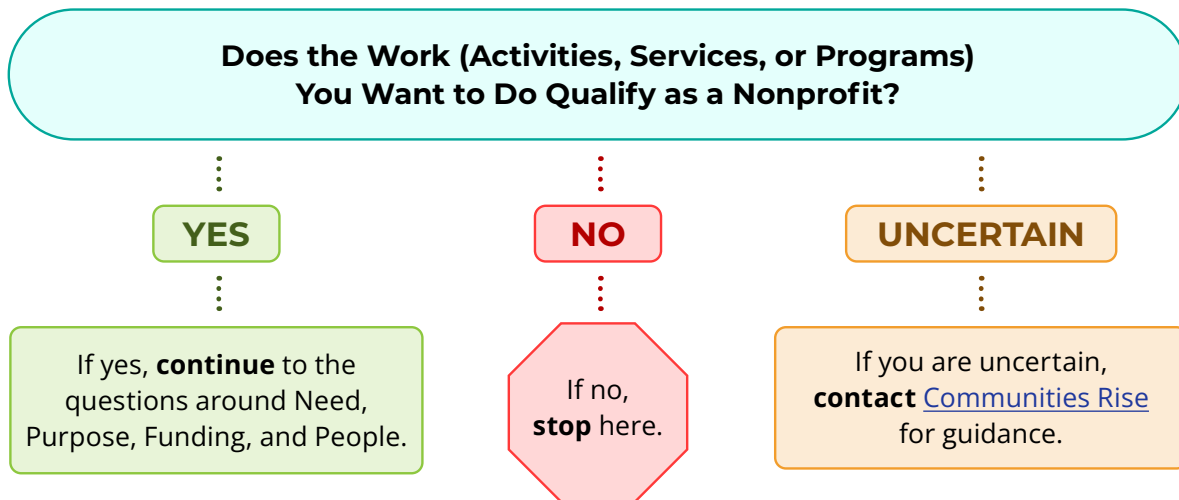
What Do You Need?	Who Can Help?	Notes & Next Steps
<ul style="list-style-type: none"> <li>I need to <b>register</b> as a nonprofit corporation</li> <li>I need to <b>register</b> as a charity</li> <li>I need to <b>renew</b> our registration as a corporation, charity, or both</li> </ul>	<p><a href="#">Washington State Office of the Secretary of State, Corporations &amp; Charities Division</a></p>	
<ul style="list-style-type: none"> <li>I need to <b>apply</b> for tax-exempt status under Internal Revenue Code Section 501(c)(3)</li> <li>I need <b>IRS Forms</b></li> </ul>	<p><a href="#">Internal Revenue Service (IRS), Charities &amp; Nonprofits</a></p>	
<ul style="list-style-type: none"> <li>I want to <b>learn</b></li> <li>I want ideas on how to bring <b>learning</b> into board meetings</li> <li>I want to <b>connect</b> with other nonprofits</li> <li>I want to strengthen my voice in <b>public policy</b></li> </ul>	<p><a href="#">Nonprofit Association of Washington (NAWA)</a></p> <p><a href="#">NAWA Learning Library</a></p> <p><a href="#">NAWA Advocacy</a></p> <p><a href="#">NAWA Community Engagement</a></p>	

*Resources Continue on Next Page*

What Do You Need?	Who Can Help?	Notes & Next Steps
<ul style="list-style-type: none"> <li>• I want to <b>learn</b></li> <li>• I have an information or referral <b>question</b> related to our nonprofit</li> <li>• I need help with <b>systems</b> — board development, strategic planning, human resources, technology, data systems, communications, and financial management</li> <li>• I am looking for a <b>consultant</b></li> </ul>	<p style="text-align: center;"> <a href="#">501 Commons</a>  <a href="#">501 Commons – Nonprofit Resource Directory</a> </p>	
<ul style="list-style-type: none"> <li>• I have a <b>legal question</b></li> <li>• I need <b>pro-bono</b> legal assistance</li> <li>• I want resources on <b>fiscal sponsorship</b></li> <li>• I would like to attend a training on <b>nonprofit law</b></li> </ul>	<p style="text-align: center;"> <a href="#">Communities Rise</a> </p>	

## B. Organizing Plan Worksheet

Use the organizing plan worksheet to help guide conversations with your group. When starting a nonprofit, getting clarity around need, purpose, funding, and people is crucial. Start by determining if the work you want to do qualifies as a nonprofit. If needed, revisit Part 2 of the guide for more information on finding the right fit for what you want to achieve.



Ask Yourself...	Notes & Next Steps
<p><b>NEED</b></p> <ul style="list-style-type: none"> <li>• What is the challenge, issue, or opportunity you want to address?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• What demonstrates that need?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• What other organizations are working on this cause area?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• What is different or unique about your approach?</li> </ul> <hr/>	

*Questions Continue on Next Page*

**Ask Yourself...****Notes & Next Steps**

- How might you partner with an existing organization?

**PURPOSE\***

- What is your mission?

- What does success look like?

- What activities will allow you to achieve success?

**FUNDING**

- What individuals, groups, governmental agencies, or companies will commit resources to your organization? Make a list of them.

- Who else will commit resources (foundations, businesses, etc.)?

- What commitments have any of the identified individuals, groups, governmental agencies, foundations, etc. made?

- What can the organization do to generate revenue? How do you know the identified actions will generate revenue?

**Ask Yourself...****Notes & Next Steps****PEOPLE**

- Have you spoken to community members about your idea? Is there community support?

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- Have you spoken with community members experiencing the challenge or issue you are working to address? What do they say is needed?

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- Have you established relationships with other community members interested in your purpose?

---

- Have any other community members or partners committed to collaborating with you on this work?

---

- Who will serve on your founding board?  
(You should have at least three unrelated people.)

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- Have you identified the skills, experiences, and knowledge needed of the founding board members (for example: finance skills, community connections, or fundraising experience)?

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- What skills do you and your supporters have to contribute to the organization?

---

- What skills will you need from outside of the organization?

---

## C. Business Plan Template

A nonprofit business plan will lay out who the organization will serve, how the organization will serve the community, how the organization will operate, and how the organization will be funded. The following template is a frame to assist your organization in creating your own business plan. There are also resource links available that include examples of completed business plans.

### Resource Links

#### The Bridgespan Group

[Sample Nonprofit Business Plans](#)

#### National Council of Nonprofits

[Business Planning for Nonprofits](#)

## Section 1: Background

This section focuses on the challenge, issue, or opportunity the organization was created to address.

- A. The cause of the challenge, issue, or opportunity
- B. Facts and stories that illustrate the challenge, issue, or opportunity
- C. Approach the organization will take to address the challenge, issue, or opportunity
- D. Evidence to demonstrate an unmet need exists (For example, other organizations are not already doing the work, or the people you expect to serve do not have access to the programs, activities, or services your nonprofit plans to provide.)
- E. Details on measuring impact — results and outcomes

## Section 2: Organizational Strategy

Whether crafting a “theory of change” or mapping out the organization’s strategy, in this section describe what success will look like, how the organization will get there, and what resources are needed. Among the nonprofit community, there is a lot of discussion about the difference between goals, strategies, and objectives. [NAWA's Strategic Planning in Nonprofits resources](#) provides more information. What matters most is that your organization can clearly identify the approach that you believe will make a difference.

### A. Describe the Organizational Strategy

- B. **Key Strategies** (3 or less is ideal) — describe how the organization’s approach will address the challenge, issue, or opportunity. For each key strategy provide a brief description and specifics around activities, programs, or services including goals and intended results.

*Strategy 1:*

---

*Strategy 2:*

---

*Strategy 3:*

---

**C. Desired Impact — Overall Results and Outcomes**

- i. How will the organization know if its successful?
- ii. How will the organization measure results?
- iii. What change do you expect to occur based-on the organization’s actions?

**Section 3: Organizational Structure**

Define how the nonprofit is or will be structured to realize the organizational strategy described in the prior section. Items to consider include the board of directors, staff, and infrastructure.

**A. Board of Directors**

To meet the Washington Nonprofit Corporation Act requirements, 501(c)(3) tax-exempt organizations must have at least three board members. Required officers are president, secretary, and treasurer. The office of vice-president is not required. Also, note that the president and secretary may not be the same person. Review [NAWA’s Board Standards in Washington State](#) and [Federal Nonprofit Board Standards](#) documents for general guidance on the legal requirements. Use the space below to document the names, contact information (address, phone number, and email), and position of board members. In addition, describe the identified skills, experiences, and knowledge needed for the board that will shape recruitment efforts.

Name	Contact Information	Board Position

**B. Staffing**

Many nonprofits never hire staff, while others seek to hire staff early in the organization’s lifecycle. Reflect on the following questions as you draft this portion of your business plan. Take time to plan and understand employment law basics before starting a hiring process. More on employment law is available in [NAWA’s Let’s Go Legal](#), and [review Workers in Nonprofits](#) resources to help navigate the larger lifecycle of a nonprofit worker.

- Does the organization intend to have paid staff?
- What positions will be staffed? How will you phase in the hiring of staff?
- If you do not plan to have paid staff, how will volunteers be involved in the work of the organization?

### C. Infrastructure

From electronic filing systems to financial management systems, operating a nonprofit requires infrastructure. Think about the following questions and use the space below to begin documenting key infrastructure details for the organization.

- What systems do you need to operate the organization?
- What is the timeline to implement the needed systems?
- Are there any costs or other resources needed to get the systems set up?

Infrastructure Need	Timeline	Cost/Resources Needed
Financial Management System		
Electronic Filing System		
Computers/Technology		
Website		
Database (method to track donations and volunteers)		
Human Resources/ Volunteer Policies		
Other:		
Other:		
Other:		



## D. Budgeting Worksheet

A budget is an organization’s financial plan, usually for the coming year. The budget includes an estimate of income (support and revenue) and expenses, considering both fiscal responsibility and mission priorities. When starting a nonprofit, there may be one-time expenses that will no longer be needed once the organization is operational. The budget worksheet provides columns to help track one-time income or expense items for the first year versus those that are recurring.

ORGANIZATION: BUDGET YEAR: DATE:		Annual Budget	Year 1	
			One-Time	Recurring
<b>Support</b>	Contributions			
	Foundation Grants			
	Government Grants			
	Special Events			
	Other:			
	<b>Total Support</b>			
<b>Revenue</b>	Admissions			
	Membership Fees			
	Fee-for-Service Income			
	Interest Income			
	Other:			
	<b>Total Revenue</b>			
	<b>Total Income (Support and Revenue)</b>			
<b>Expenses</b>	Salaries, Benefits, & Taxes			
	Occupancy (Rent, Utilities)			
	Program Expenses			
	Professional Fees			
	Supplies			
	Printing			
	Insurance			
	Fundraising			
	Interest			
	Other:			
	Miscellaneous			
	<b>Total Expenses</b>			
<b>Excess (Deficit)</b>				

## E. Fundraising Plan Worksheet

Nonprofits have two main types of income — support and revenue. Support comes from resources for which no services or goods were exchanged, such as grants, contributions, and in-kind donations. Revenue includes resources that resulted from an exchange transaction, such as program and service fees, ticket sales/event income, and investment income. Use the fundraising plan worksheet to capture identified funding sources with as much detail as possible.

Source of Revenue	Year 1 Goal	Year 2 Goal
<b>Support</b> (Contributions)		
<b>TOTAL INCOME (SUPPORT + REVENUE)</b>		

## F. Preparing for the Unexpected

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Just like life, starting a nonprofit will have moments of opportunity and challenge to navigate. Being prepared to adjust plans is important as your organization develops. This activity sheet lays out some scenarios to consider. How would you approach these opportunities and challenges? Use the space provided to capture a few thoughts.

### How Would You Approach These Opportunities?

Opportunity	Notes
<ul style="list-style-type: none"><li>• A major donor steps forward to support your work.</li></ul>	
<ul style="list-style-type: none"><li>• The organization receives positive news coverage.</li></ul>	
<ul style="list-style-type: none"><li>• Another organization is interested in your work.</li></ul>	
<ul style="list-style-type: none"><li>• Important community leaders join your effort.</li></ul>	
<ul style="list-style-type: none"><li>• There is a demographic or political trend/shift in favor of your cause area.</li></ul>	
<ul style="list-style-type: none"><li>• A new law drives up a need for the organization's services.</li></ul>	
<ul style="list-style-type: none"><li>• Technology accelerates the organization success.</li></ul>	

## How Would You Approach These Challenges?

Challenge	Notes
<ul style="list-style-type: none"> <li>An important partner drops out.</li> </ul>	
<ul style="list-style-type: none"> <li>A major donor backs out or changes funding priorities.</li> </ul>	
<ul style="list-style-type: none"> <li>The organization received the wrong tax-exempt status.</li> </ul>	
<ul style="list-style-type: none"> <li>Too much of the organization's funding comes from one source so the IRS determines you to be a private foundation rather than a public charity.</li> </ul>	
<ul style="list-style-type: none"> <li>The organization does not have the right to use the name selected because of an intellectual property issue.</li> </ul>	
<ul style="list-style-type: none"> <li>The organization is offering redundant services.</li> </ul>	
<ul style="list-style-type: none"> <li>The organization receives negative news coverage, either about the nonprofit or some aspect of the cause area.</li> </ul>	
<ul style="list-style-type: none"> <li>The organization cannot find board members.</li> </ul>	
<ul style="list-style-type: none"> <li>There is a negative trend affecting the cause area.</li> </ul>	

## What Are Other Potential Opportunities or Challenges Your Organization Could Face?

Opportunity or Challenge	Notes

## G. Administrative Calendar

Use this administrative calendar worksheet to track items throughout the year related to state, federal, people, planning, and operations activity pathways (refer to Part 3 of this guide for more information). As a starting place, use the Basics of Running a Nonprofit Checklist provided towards the beginning of this section.

Date of Incorporation: \_\_\_\_\_

Date Fiscal Year Starts: \_\_\_\_\_

Date Fiscal Year Ends: \_\_\_\_\_

	STATE	FEDERAL	PEOPLE	PLANNING	OPERATIONS
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					

## H. First Board Meeting Agenda Worksheet

After filing the organization's Articles of Incorporation, an important action in preparing for the first board meeting. The agenda, meeting structure, and support materials are tools to help the board with its work. Each board's meeting space will look and feel different depending on the organization. The board should identify a meeting format and content that facilitates decision-making, learning, and meaningful board experiences for all board members.

Sample First Meeting Goals	What Are Your First Board Meeting Goals?
<ul style="list-style-type: none"> <li>• Approve the bylaws</li> <li>• Elect officers (if not done already)</li> <li>• Elect additional board members</li> <li>• Discuss need for federal tax-exempt status; if approved, authorize officers to seek federal tax exemption</li> <li>• Authorize officers to set up a bank account for the corporation and determine check signers (people authorized to sign checks on behalf of the organization)</li> <li>• Authorize officers to purchase Directors &amp; Officers Insurance (after bank account is set up)</li> <li>• Adopt board policies including a code of conduct, Conflict of Interest Policy, and Document Retention Policy</li> </ul>	

Elements of a Board Meeting Agenda	How Will You Approach Each Element at Your First Meeting?
<ul style="list-style-type: none"> <li>• <b>Welcome:</b> Make sure to include space for gratitude and mission review.</li> <li>• <b>Introductions/Updates:</b> Provide space for warm-up conversation and board member engagement.</li> <li>• <b>Discussion and Decision Topics:</b> What does the board need to discuss and decide? Refer to the meeting goals you identified above.</li> <li>• <b>Learning:</b> To further board learning, what topic will be discussed? At the first meeting, consider discussing what board members are interested in learning more about. Share the <a href="#">NAWA Event Calendar</a> as a source of upcoming learning opportunities.</li> <li>• <b>Review:</b> What did you accomplish in this meeting, what needs to be accomplished before the next meeting, and what are the goals of the next meeting?</li> <li>• <b>Connection:</b> Leave time for board members to connect with each other through conversation, celebration, or other approaches.</li> </ul>	

### 3. Glossary

**501(c) Organizations:** There are many different types of tax-exempt organizations under federal law, most in Section 501(c). The most common are:

- **501(c)(3):** Organizations organized for charitable a purpose across a wide spectrum of topics. Contributions are generally allowed to be tax-deductible.
- **501(c)(4):** Civic leagues, social welfare organizations, and associations of employees. These organizations are organized to influence public policy and public opinion. Contributions to these organizations are not generally tax-deductible.
- **501(c)(6):** Business leagues and chambers of commerce. Contributions are not generally tax-deductible.

**Articles of Incorporation:** This is the document that creates the corporation. The Articles of Incorporation need to meet both the state requirements for a nonprofit corporation as well as federal tax law requirements to qualify as a 501(c)(3) organization if you apply for tax-exempt status. Sample Articles of Incorporation are available through [NAWA's Let's Go Legal resources](#).

**B Corp:** A company can receive B Corp Certification designation through the nonprofit B Lab by meeting rigorous standards of performance, accountability, and transparency ([visit B Lab's website](#) for more information).

**Budget:** A budget is an organization's financial plan for a specific period of time, usually one year. The budget includes an estimate of income (support and revenue) and expenses, considering both fiscal responsibility and mission priorities. Develop the budget in tandem with the organization's fundraising plan and include the budget as part of the overall business plan. A budgeting worksheet is available in the Nonprofit Starter Materials section of this guide.

**Business Plan:** A business plan outlines the organization's activities, operations, and funding model. In addition to guiding the organization, a business plan is a great tool for developing answers to the IRS application for tax-exempt status. A business plan template is available in the Nonprofit Starter Materials section of this guide.

**Bylaws:** The organization's Bylaws are the rules of operation for your nonprofit. Rules on how boards are selected and make decisions are in the Bylaws. Sample Bylaws are available through [NAWA's Let's Go Legal resources](#).

**Charity:** Officially, this is a nonprofit that is registered to fundraise (or solicit donations) with the Washington State Office of the Secretary of State. An organization is required to register as a charitable organization if it is either raising at least \$50,000 annually or paying anyone to do the work of the organization.

**Fiscal Sponsorship:** A formal agreement in which a 501(c)(3) organization sponsors a project or organization that does not have their own tax-exempt status under Section 501(c)(3). The sponsored organization can seek grants and solicit tax-deductible donations under the fiscal sponsor's tax-exempt status. The fiscal sponsor is ultimately accountable for the activities of the sponsored organization. [Learn more about fiscal sponsorship through the Fiscal Sponsorship Toolkit](#) produced by Communities of Opportunity and Communities Rise.

**Fundraising Plan:** The fundraising plan outlines the organization's fundraising activities, which may include grants, individual contributions, contracts, and events. A fundraising plan worksheet is available in the Nonprofit Starter Materials section of this guide.

**IRS:** "IRS" stands for Internal Revenue Service. The IRS is the taxing agency for the United States Government. The IRS is the federal agency that regulates and monitors 501(c)(3) organizations. Section 501(c)(3) of the Internal Revenue Code is the law that applies to 501(c)(3) organizations.

**Organizing Plan:** An organizing plan is high-level information about the need you seek to address, the purpose and approach, funding potential, and community engagement. This is a useful tool in deciding whether or not to start a nonprofit. An organizing plan worksheet is available in the Nonprofit Starter Materials section of this guide.

**Nonprofit (or Nonprofit Corporation):** An organization created for a public benefit without shareholders or a profit motive. A nonprofit does not have owners other than the community at large. Nonprofit status is determined under state law. A nonprofit registers with the Washington State Office of the Secretary of State as a corporation; the process is called "incorporation." Certified Public Accountants (CPA) often call these organizations "not-for-profits" to underscore their purpose is something other than profit. The organization can generate net income at the end of a year, and those funds cannot be distributed to individuals.

**Social Purpose Corporation:** A social purpose corporation is a type of for-profit company with a social purpose. Washington State law has a specific corporate statute for social purpose corporations ([see RCW 23B.25 for more details](#)).

**Strategic Plan:** A document that outlines the organization's strategy over several years. A strategic plan sets out the organization's goals as well as the activities and strategies planned to accomplish the goals. Refer to [NAWA's Strategic Planning in Nonprofits](#) resources for more information.

**Tax-Exempt Organization:** A nonprofit corporation that applied for tax-exempt status and received approval by the IRS is called "tax exempt." Tax-exempt status exempts a nonprofit from paying federal corporate income tax and allows contributions given to the organization be tax-deductible to the donors if the nonprofit is a 501(c)(3) organization. Tax-exempt organizations still have to pay federal employment taxes.

**Work Plan:** A detailed planning document that lists specific activities to accomplish in a particular time period to support the organization's mission and strategy. A work plan typically includes who is responsible for specific tasks and due dates.