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CHECKLIST OF THINGS TO BE DONE WHEN STARTING A NONPROFIT ORGANIZATION

DETERMINE PURPOSE AND STRUCTURE. Hold initial planning meeting to establish consensus on the purposes and the form of the proposed organization. Delegate responsibilities for drafting by-laws, filing for incorporation, developing a program plan and budget, and planning for fund raising.

FORM INITIAL BOARD OF DIRECTORS. A formal board of directors is required for incorporation and is desired by those considering initial funding proposals.

FILE ARTICLES OF INCORPORATION. Most funding sources deal only with organizations incorporated as nonprofits.

DRAFT BYLAWS. Since these make up the “rule book” for running an organization, it is helpful to draft them during the early stages of development. In addition, bylaws must accompany the application for tax exemption.

DETERMINE PROGRAM PLAN. Develop written goals and objectives, a work plan and a service description for at least a one-year period.

DEVELOP A BUDGET. Anticipate expenditures and income for the first year.

DRAFT A FUNDRAISING PLAN. Determine appropriate sources from which to seek funding and outline approach to these sources, and a timetable.

HOLD FORMAL ORGANIZATION MEETING. At an official meeting of the Board of Directors, accept the Articles of Incorporation, adopt the bylaws, elect officers, authorize tax-exemption application, authorize any financial transactions and continue program planning.

ESTABLISH A RECORDKEEPING SYSTEM. The recordkeeping system will be used for preserving corporate documents, reports and all minutes of the Board meetings. These are the official records of the organization and must be maintained for the life of the corporation.

FILE FORM 1023 APPLICATION WITH THE INTERNAL REVENUE SERVICE. This is necessary to obtain tax exemption from corporate taxes. It also frees donors from paying taxes on funds donated to the organization and, in essence, makes it “fundable.”

FILE CHARITABLE TRUST REGISTRATION WITH THE STATE.

APPLY FOR SOLICITATION LICENSE FROM LOCAL MUNICIPALITY. Check with local officials of the cities in which the organization will be raising funds to determine whether a solicitation license is

necessary.

ESTABLISH A BOOKKEEPING/ACCOUNTING SYSTEM. Only a simple system will be needed until the organization begins to receive major grants and conducts program activities. However, anticipate the organization's financial recordkeeping needs for these later stages of development and develop an accounting system that can meet these needs.

DEVELOP AND SUBMIT FUNDRAISING PROPOSALS. Government grants may be solicited when incorporation has been established. Solicitation of private foundation grants will not be very successful before the IRS formally recognizes the organization's 501(c)(3) tax exemption by sending a letter.

FILE EMPLOYER REGISTRATION WITH FEDERAL AND STATE AGENCIES FOR INCOME TAX WITHHOLDING. The organization will receive a Federal Employer Identification Number and a State Registration Number.

DECIDE ABOUT SOCIAL SECURITY CONTRIBUTIONS. If the answer is yes, notify the Social Security office, since 501(c)(3) organizations are automatically exempt but may elect to participate.

FILE FOR STATE INCOME TAX EXEMPTION UPON RECEIPT OF FEDERAL EXEMPTION LETTER.

APPLY FOR STATE SALES TAX EXEMPTION. The organization will receive a Certificate of Exempt Status with its sales tax exemption number.

REGISTER WITH THE STATE UNEMPLOYMENT INSURANCE PROGRAM. This is done through the appropriate State agency after the organization begins operating.

APPLY FOR PROPERTY TAX EXEMPTION, IF APPROPRIATE, WITH THE LOCAL TAX ASSESSOR.

OBTAIN LIABILITY INSURANCE. Such insurance covers the organization against personal injury suits by clients and guests.

APPLY FOR NONPROFIT BULK MAIL PERMIT. Such a permit is beneficial if the organization plans to mail mass quantities of materials.

DEVELOP PERSONNEL POLICIES. This should be done in the first year of operation.

BEGIN PROGRAM ACTIVITIES. Staff may be hired, space rented and program activities started anytime, depending on the solidification of program plans and of a significant portion of the proposed funding. The Board of Directors must determine when the program should actually begin functioning.