

ncstac



national  
consumer  
supporter  
technical  
assistance  
center

ncstac.org

a program of the national mental health association

# How to Establish

# a 501c3





## How to Establish a 501c3

**National Consumer Supporter Technical Assistance Center  
National Mental Health Association  
2001 North Beauregard Street  
Alexandria, VA 22311  
Tel: 1-800-969-NMHA Fax: 703-684-5968  
E-Mail: [ConsumerTA@nmha.org](mailto:ConsumerTA@nmha.org) Web: [www.ncstac.org](http://www.ncstac.org)**

*The material contained in this volume may be used or reproduced without permission from the National Mental Health Association or the authors. Citation of the source is appreciated.*



Funded by the Federal  
Substance Abuse and Mental  
Health Services Administration

## Acknowledgements

The National Mental Health Association's National Consumer Supporter Technical Assistance Center would like to thank the Substance Abuse and Mental Health Services Administration's Center for Mental Health Services for their support of NCSTAC. In addition, we thank the NCSTAC Advisory Council, with special acknowledgement to Bill Compton, for assistance in revising this document.



## Table of Contents

HOW TO USE THIS MANUAL.....	5
WHAT IS A 501(C)3 ORGANIZATION?.....	5
THE STEPS TO ESTABLISHING 501(C)3 STATUS: AN OVERVIEW.....	6
FORMULATING A MISSION STATEMENT .....	7
FORMING A BOARD OF DIRECTORS.....	8
FILING ARTICLES OF INCORPORATION .....	10
DRAFTING BYLAWS .....	11
DEVELOPING A BUDGET.....	12
SWOT ANALYSIS.....	14
VISION STATEMENT.....	15
DEVELOPING A RECORD-KEEPING SYSTEM .....	18
DEVELOPING AN ACCOUNTING SYSTEM.....	18
FILING FOR 501(C)3 STATUS.....	19
APPLYING FOR A FEDERAL EMPLOYEE IDENTIFICATION NUMBER.....	19
FILING FOR STATE AND LOCAL TAX EXEMPTION.....	19
FULFILLING CHARITABLE SOLICITATION LAW REQUIREMENTS.....	20



## Table of Contents

APPLY FOR A NONPROFIT MAILING PERMIT .....	20
APPENDIX A - FORMING A BOARD OF DIRECTORS .....	21
APPENDIX B - SAMPLE ARTICLES OF INCORPORATION .....	22
APPENDIX C - SAMPLE BYLAWS .....	24
APPENDIX D – SAMPLE BUDGET .....	26



## How to Use this Manual

This manual provides an overview of the steps for consumer groups seeking to establish a 501(c)(3) organization, and a detailed explanation of what each of these steps entails. Appendices provide supplementary information and sample documents that may be helpful to execute each of the steps.

## What Is a 501(c)(3) Organization?

Simply put, a 501(c)(3) organization is a type of nonprofit corporation classified by the IRS as either a “public charity” or a “private foundation.” Within those two broad categories, a 501(c)(3) is further designated as one or more of the following:

- Religious;
- Educational;
- Charitable;
- Scientific;
- Literary;
- Testing for Public Safety;
- Fostering National or International Amateur Sports Competitions; or
- Promoting the Prevention of Cruelty to Children or Animals.

What distinguishes nonprofits is not whether they can make surplus income, but rather what is done with any “profit.” A for-profit company that generates net revenue can choose to distribute those profits to owners and shareholders, executives, and employees. Nonprofit organizations don't exist to earn money for owners, stakeholders or employees. In fact, distribution of profits is strictly prohibited, and must be used to further the mission of the organization. This distinction, not the ability to generate a profit, is a major difference between nonprofits and businesses.

As a result of its qualification as a 501(c)(3) organization, this type of nonprofit is able to receive tax-deductible charitable contributions, and is exempt from business income and property taxes.



## The Steps to Establishing 501(c)(3) Status: An Overview

<i>You must...</i>	<i>You should...</i>	<i>You can...</i>
1) Formulate a mission statement	—	—
2) Form a Board of Directors	—	—
3) —	File articles of incorporation	—
4) —	Draft Bylaws.	—
5) —	Develop a strategic plan.	—
6) —	Develop a business plan.	—
7) Develop a budget	—	—
8) Develop a record keeping system	—	—
9) Develop an accounting system	—	—
10) File for 501(c)(3) status	—	—
11) File for a Federal Employee Identification Number		
12) File for state tax exemption	—	—
13) File for local tax exemption	—	—
14) Fulfill charitable solicitation law requirements	—	—
15) —	—	Apply for a nonprofit mailing permit



## Formulating a Mission Statement

As a non-profit organization, you exist to accomplish your mission, which should be crafted based upon your purpose, services and values. The mission statement is a concise expression that covers in one or two sentences who the organization is, what it does, for whom and where. It should also be compelling, as it will be used in all published materials, funding requests and public relations.

A mission statement is often most powerful when it states not only what you do, but what you expect to accomplish through your organization's work. It should also portray how your organization is distinct from others. The Board of Directors should vote to officially adopt the mission statement.

### *Examples:*

- The National Mental Health Association is dedicated to promoting mental health, preventing mental disorders and achieving victory over mental illnesses through advocacy, education, research and service.
- The National Consumer Supporter Technical Assistance Center's purpose is to strengthen consumer organizations by providing technical assistance in the forms of research, informational materials, and financial aid.
- The mission of Texas Mental Health Consumers is to organize, encourage, and educate mental health consumers in Texas. TMHC supports and promotes the mental health recovery process through peer directed and operated services, advocacy, economic development, and participation in public mental health policy design.
- On Our Own of Maryland is a state-wide mental health consumer education and advocacy organization that promotes equality in all aspects of society for people who receive mental health services and develops alternative, recovery-based mental health initiatives.





## Forming a Board of Directors

Forming a board requires careful thought and extensive recruitment efforts. Each state has regulations that determine the minimum size of the board, typically three, but the optimum number of people who sit on the board should be determined by the needs of the organization.

Based on what your organization would like to accomplish, you should decide what special skills and qualities you will require of the individuals on your board. The next step is to identify qualified individuals who are supportive of your mission and are willing to give of their talents and time.

Here are some tips for developing your Board of Directors

- Look for individuals whose values reflect your statement of purpose.
- Although it is recommended that the majority of your board be consumers, include the community at large, not just the mental health community. Consider the religious community, local service clubs, legal professionals, and colleges and universities as sources for prospective a Board of Directors.
- Do not overload people who already serve on many committees – seek a balance between old and new leadership.
- Specifically define the parameters of each position for which you are recruiting.
- Use networking. Start with core people and have them suggest other contacts.
- Contact people personally. Start with phone calls or visits, then follow up with letters.
- If possible, interview prospective members face to face.

Of course, it is not possible for any single individual to fulfill all of the board's requirements, but with the proper mix of members, the board should be able to meet its responsibilities. A sample profile for the fictitious Students' Mental Health League Board of Directors can be found on the next page. On the left are characteristics that would be useful for the board members to have. At the top, the names of each member are listed.



**Sample Board Profile: Students' Mental Health League**

	Karen	Carlos	Wanda	Gail	Oscar	Cliff	Judy
<b>Needed Characteristics</b>							
Consumer	✓	✓		✓	✓	✓	
Family Member			✓				✓
Student	✓	✓		✓	✓		✓
Health care professional						✓	
African-American			✓		✓		
Asian							
Hispanic		✓					
Native American						✓	
Experience with local advocacy			✓			✓	
Experience with state advocacy			✓		✓	✓	✓
Contacts with school board			✓				
Knowledge of children's issues	✓		✓				
Knowledge of depression issues	✓	✓	✓	✓			✓
Member of self-help groups	✓			✓	✓	✓	✓
Owens a car		✓	✓	✓		✓	✓
Experience in fundraising		✓		✓			✓



Note the characteristics that are being sought for members of this board. The board recruiter seeks a culturally diverse group of individuals representing different ethnic minorities, and to include both consumers and family members on the board. Some of the board members have clinical expertise in children's issues; others in depression issues. Some members should have experience in local advocacy; others in state advocacy. See Appendix A for a blank profile chart that you can use to determine the characteristics needed on your board.

## Filing Articles of Incorporation

Articles of Incorporation are an official statement of creation of an organization filed with the appropriate state agency. Articles of Incorporation are important to protect both board and staff from legal liabilities incurred by the organization, making the corporation the holder of debts and liabilities, not the individuals and officers who work for the organization.

The specific requirements governing how to incorporate are determined by each state. You can obtain the information you need to proceed with this step from your state Attorney General's office or your state Secretary's office.

A generic outline for the contents of Articles of Incorporation for a nonprofit organization is as follows:

**Article 1:** The name of the corporation.

**Article 2:** The name and address of the registered agent of the corporation. The registered agent is the person authorized to receive or sign legal papers on behalf of the corporation.

**Article 3:** The purpose(s) for which the corporation is being formed. You should, in this Article, indicate that the corporation is being formed as a 501(c)(3) tax-exempt organization.

*Note:* Carefully review your state's requirements as they relate to statements of purpose and tax-exempt status.

**Article 4:** A statement of the number of initial directors of the corporation and their names and addresses.



**Article 5:** A statement defining the period of existence of the corporation—if it is indefinite, it would be defined as perpetual. If this is a short-term incorporation, you will state the period of time.

**Article 7:** A statement detailing the provisions for membership (if applicable) should include the member classifications, qualifications, obligations, rights and privileges. A recommended approach is to state that these provisions are included in the bylaws of the corporation, thus leaving you free to make changes without filing new papers with the Secretary of State

**Article 8:** This article should include the state’s required language for a 501(c)(3) tax exempt corporation—this would refer to the operation of the corporation. To qualify for the 501(c)(3) tax exemption, you must state in the Articles of Incorporation that the corporation’s assets are dedicated to tax-exempt purposes.

**Article 5:** The name(s) and address(es) of the person(s) who forms the corporation—signer(s) of the Articles of Incorporation (usually one of the initial directors, but not required to be).

See Appendix B for sample Articles of Incorporation

## Drafting Bylaws

Bylaws are simply the “rules” of how the organization operates. Although Bylaws are not required to file for 501(c)(3) status, they will help you in governing your organization. Bylaws should be drafted with the help of an attorney and approved by the board early in the organization's development. The common format is as follows:

- The Name of the organization
- The Mission of the organization
- Membership (Responsibilities, Dues, Quorum, Voting Procedure)
- Board of Directors (Duties, Officers, Meetings)
- Committees
- Procedures for amending the bylaws
- Date bylaws were adopted by the board

See Appendix C for a template for creating bylaws.



## Developing a Budget

Creating a budget is often one of the most challenging tasks when creating a nonprofit organization. The following guidelines are offered by the Nonprofit Financial Center in Chicago, Illinois.

New organizations may start the budgeting process by looking at potential income -- figuring out how much money they have to spend. A budget is the expression, in financial terms, of the plan of operation designed to achieve the objectives of an organization. An agency budget serves as a road map to help the organization plan the best use of resources, anticipate funding needs and monitor actual operations. It is an essential tool for effective management.

Remember—designing and managing a budget which accurately reflects your agency's funding and commitments is an essential cornerstone of responsible financial management. Solid, reliable budgets not only help organize and allocate resources, but they show donors, board members and contractors that you have made the long-range health of the agency a priority.

- **Step One:** Review your organization's mission, goals, and objectives. Evaluate existing programs and determine if your programs are currently meeting agency objectives and have the resources available to meet programmatic needs.
- **Step Two:** Determine the period for which you are planning your budget. Begin with your fiscal year: does it follow the calendar year or is it July 1 - June 31? Are your services required seasonally or all year round? Does it make sense to divide the budget into quarters or consider the full year at once?
- **Step Three:** Identify programs, projects, and services which your organization offers, or plans to offer. Each program should have its own budget so it can be viewed and assessed independently of the organization as a whole.
- **Step Four:** Determine program needs (number of staff, amount of space, equipment, furniture, supplies, etc.) Analyze program needs carefully. Once a budget is submitted for program funding, it is very difficult to amend the budget with additional program expenses.
- **Step Five:** Estimate costs of identified program needs. Are there hidden costs associated with running the program that the grant or contract does not cover? You must determine how much these resources will cost to avoid overruns.
- **Step Six:** Estimate the expected revenues of your organization. Include only the income you are certain or nearly certain of obtaining. Do you have a plan to secure funds for new programs in the start-up stage?
- **Step Seven:** Summarize information for each line item into totals, but note any assumptions or contingencies in the budget document. Notes can follow the budget through endnoting techniques.

A common pitfall for many new businesses, nonprofit and for-profit, is creating a budget that is unrealistic. Where possible, it is a good business practice to slightly underestimate revenue and slightly overestimate expenses, to allow for unforeseen circumstances. The Board of Directors will need to approve the budget, which is a component of the IRS application for tax-exempt status.

See Appendix D for a sample budget format.

## Developing a Strategic Plan

Strategic planning determines where an organization is going over the next one to three years, how it's going to get there and how it'll know if it got there or not. A strategic plan is not required by law, but your organization will run smoothly with one. A sound strategic plan should be developed and approved by the board in order to:

- Map the route to achieving the organization's mission.
- Serve as a framework for decisions or for securing support/approval.
- Explain the organization to others in order to inform, to motivate and to involve.
- Assist benchmarking & performance monitoring.
- Stimulate change and become a building block for the next plan.

A strategic plan should be:

- Visionary
- Conceptual
- Directional
- Realistic
- Obtainable



If feasible, a consultant should be retained to facilitate the development of the strategic plan. The key elements of a strategic plan are as follows:

- Prepare a mission statement (see page 5)
- SWOT – Strengths, Weaknesses, Opportunities and Threats analysis
- Prepare a vision statement
- Develop a statement of corporate values and beliefs
- Identify key long term goals
- Based on goals, define achievable objectives
- Identify key strategies for meeting objectives
- Define strategic action plans

### **SWOT Analysis**

A SWOT analysis considers your organization both internally and in a larger market context. The SWOT analysis paves the way to preparing your strategic plan and is actually conducted in two parts: Strengths and Weaknesses Analysis, and Opportunities and Threats Analysis.

#### *Strengths and Weaknesses Analysis*

Strengths and weaknesses analysis is essentially internal to the organization and relates to matters concerning resources, programs and organization in key areas:

- Marketing – promotion, support
- Management – systems, expertise, resources
- Operations – efficiency, capacity, processes
- Services – quality, features, range, competitiveness
- Finances – resources, performance
- Costs – productivity, purchasing
- Systems – organization, structures

#### *Opportunities and Threats Analysis*

Opportunities and threats analysis is essentially external to the organization and relates to matters such as competition or changing markets in key areas:

- The service area, which may be altered by economic or social forces such as changing customer needs, demographic issues and political factors.
- Competition from other organizations may create new threats or opportunities



(identities, performances, market shares, likely plans, aggressiveness)

- New technologies may cause fundamental changes in services, processes, etc. (substitute services, alternative solutions)

### *Completing the SWOT review*

Once the SWOT review is complete, the future strategy may be readily apparent or, as is more likely, a series of strategies will be evident. Use the SWOT to help identify possible strategies as follows:

- Build on strengths
- Resolve weaknesses
- Exploit opportunities
- Avoid threats

The resulting strategies can then be filtered and molded to form the basis of a realistic strategic plan.

### **Vision Statement**

Your Vision Statement should express your organization's "big dream" for the future. In other words, what would the world, the nation or your community look like if you achieve your ultimate objective?

Examples:

- The National Mental Health Association envisions a just, humane and health society in which all people are accorded respect, dignity and the opportunity to achieve their full potential free from stigma and prejudice.
- The Substance Abuse and Mental Health Services Administration: *A Life in the Community for Everyone*
- The Arlington Mental Health Task Force envisions a community and families that support infants, children, youth, young adults, middle aged, and the aged in Arlington to develop their maximum potential emotionally, intellectually, and socially. We envision a community support system comprised of families, employers and neighborhoods that encourage self-help and mutual support. We envision a mix of human service agencies ready to intervene if self-help measures, the family, and the community are not sufficient to solve the problems of citizens.





## Values

The organization's values govern its conduct with society at large, customers, suppliers, employees, local community and other stakeholders.

Examples:

- Justice demands that everyone, regardless of disability, has the right and responsibility of full participation in society.
- Mental health is essential to the development and realization of every person's full potential.
- Sufficient resources need to be applied to a complete range of mental health research, and then effectively applied to treatment, community services design and preventive interventions.
- Services must be linguistically and culturally appropriate.

## Goals

Goals are broad statements of what the organization needs or wants to achieve in the medium to long term. Goals should relate to the expectations and requirements of all the major stakeholders, including employees, and should reflect the underlying reasons for running the organization. These objectives could cover growth, profitability, technology, markets and services offered.

Examples:

- To improve community-based care in Prince William County.
- To protect the interests of individuals hospitalized in the Prince William County Psychiatric Hospital.
- To encourage the growth of consumer advocacy and self-help groups.



## Objectives

Objectives are specific, time-based measurements to be achieved by implementing strategies in pursuit of the organization's goals. They should be measurable, consistent, realistic and achievable.

Examples:

- To establish a new drop-in center by the end of next year.
- To conduct one on-site inspection, per quarter, of the Prince William County Psychiatric Hospital.
- To expand the current number of consumer self-help and advocacy groups in the county from one to three in the next two years.
- To achieve an annual budget of \$1 million in three years time.

## Strategies

Strategies are the rules and guidelines by which the mission, goals and objectives may be achieved. They can cover the organization as a whole or they can relate to more specific matters in key functional areas.

Examples:

- Annual fundraising events will fund special projects.
- New services will progressively be added over the next 3 years.
- All promotional work will be contracted out to lower the organization's break-even point.
- An aggressive diversification policy will be pursued.



## Programs

Programs are the implementation plans for the key strategies. They should cover resources, objectives, time-frames, deadlines, budgets and performance targets.

Example:

(Strategy: XYZ Consumer Advocacy Network will pursue an aggressive diversification policy.)

- \$1,000 will be set aside to train staff members at the January conference on cultural competence.
- The Board of Directors will have a composition of 90% consumers in 2 years time, and at least 4 seats will go to individuals of color.
- Any staff vacancies that become available will preferably be filled by an individual of a minority population.
- \$1,000 will be set aside to increase the yearly circulation of the newsletter by twenty percent, with the additional copies being distributed to individuals of special populations

## Developing a Record-Keeping System

Legally, you must save all Board documents including minutes and financial statements. It is necessary to preserve your important corporate documents, including board meeting minutes, bylaws, Articles of Incorporation, financial reports, and other official records. You should contact your appropriate state agency for more information on what records you are required to keep in the official files.

## Developing an Accounting System

If your board does not include someone with a financial or accounting background, it is best to work with an accountant familiar with non-profit organizations. Nonprofits are accountable to the public, its funders, and, in some instances, government granting bodies, and it is vital to establish a system of controls (checks and balances) when establishing the organization's accounting practices.

Responsible financial management requires the establishment of an accounting system that meets both current and anticipated needs. The organization needs to open a bank account and ascertain whether to use the accrual or cash method of accounting. The difference between the two types of accounting is when revenues and expenses are recorded. In cash basis accounting, revenues are recorded when cash is actually received and expenses are recorded when they are actually paid (no matter when they were actually invoiced). In accrual basis



accounting, income is reported in the fiscal period it is earned, regardless of when it is received, and expenses are deducted in the fiscal period they are incurred, whether they are paid or not.

The size of your organization and accounting skill of the person managing your financial record-keeping will likely determine which method to choose. It is recommended in Generally Accepted Accounting Principles, however, that for financial reporting, the accrual system should be used.

### **Filing for 501(c)(3) Status**

To apply for recognition of tax-exempt, public charity status, obtain Form 1023 (application) and Publication 557 (detailed instructions) from the local IRS office. The filing fee depends upon the size of the organization's budget. The application is an important legal document, so it is advisable to seek the assistance of an experienced attorney when preparing it. Both of these documents can be downloaded from IRS web site at <http://www.irs.gov/charities/index.html>.

It is important to file your 1023 within 15 months of the date when your organization was established, or when your Articles of Incorporation were filed. Although the IRS automatically provides a 12-month extension, missing the deadline may result in your organization not receiving recognition as a private foundation.

### **Applying For a Federal Employee Identification Number**

Regardless of whether or not you have employees, nonprofits are required to obtain a federal Employee Identification Number (EIN) — also referred to as the federal ID number. Available from the IRS, this number is used to identify the organization when tax documents are filed and is used not unlike an individual's Social Security number. If you received your number prior to incorporation, you will need to apply for a new number under the corporate name. Ask for Form SS-4 when applying for your EIN.

### **Filing for State and Local Tax Exemption**

In accordance with state, county, and municipal law, you may apply for exemption from income, sales, and property taxes. Contact your state Department of Revenue, your county or municipal Department of Revenue, local Departments of Revenue, and county or municipal clerk's offices.



## **Fulfilling Charitable Solicitation Law Requirements**

If your organization's plans include fundraising, be aware that many states and few local jurisdictions regulate organizations that solicit funds within that state, county, or city. Usually compliance involves obtaining a permit or license and then filing an annual report and financial statement. Contact the state Attorney General's office, the state Department of Commerce, state and local Departments of Revenue and county or municipal clerk's offices to get more information.

## **Apply for a Nonprofit Mailing Permit**

The federal government provides further subsidies for nonprofits with reduced postage rates on bulk mailings. While first-class postage rates for nonprofits remain the same as those for the for-profit sector, second- and third-class rates are substantially less when nonprofits mail to a large number of members or constituencies. For more information on eligibility, contact the U.S. Postal Service and ask for Publication 417, Nonprofit Standard Mail Eligibility (<http://pe.usps.gov/cpim/ftp/pubs/Pub417/Pub417.pdf>).



### Appendix A - Forming a Board of Directors

Using the chart below, create a profile for your own board. Note that each column of the board profile actually serves as a job description for the individuals you are seeking to recruit.

If you have already established your board, you can check off current members' skills in the first columns of the chart. You can then determine what skills your board is currently lacking and what types of individuals you may consequently need to recruit in the future.

Board Profile	Current Members			Future Members		
Needed Characteristics						



## Appendix B - Sample Articles of Incorporation

*Please note that this sample may not conform to your state requirements. Be sure to verify your state's requirements before drafting Articles of Incorporation.*

**Articles of Incorporation** of the undersigned individuals, who are 18 years of age or older, desiring to form a Nonprofit Corporation under the Nonprofit Corporation Law of Anystate, do hereby certify:

### ARTICLE I — *NAME*

The name of the Corporation shall be Mental Health Consumers of ABC.

### ARTICLE II — *REGISTERED AGENT ADDRESS*

The place in this state where the principal office of the Corporation is to be located is the City of ABC, XYZ County.

### ARTICLE III — *PURPOSE*

Said corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. The purpose of this corporation is:

- To operate a peer-run drop in center for mental health consumers;
- To educate mental health consumers about mental health recovery; and
- To promote public awareness about mental health and eliminate stigma.

### ARTICLE IV — *BOARD OF DIRECTORS*

The management of the affairs of the corporation shall be vested in a board of directors, as defined by the corporation's bylaws. No director shall have any right, title, or interest in or to any property of the corporation. The number of directors constituting the initial board of directors is four (4); their names and addresses are as follows:

John Doe 2013 Main Street, ABC, XY 00009

Jane Smith 11 Elm Street, ABC, XY 00009

Tom Johnson 222 Oak Street, ABC, XY 00009

Mary Brown 6721 Central Avenue, ABC, XY 00009

### ARTICLE V- *DURATION/DISSOLUTION*

The duration of the corporate existence shall be perpetual until dissolution. Upon the dissolution of the organization, assets of the corporation shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.



**ARTICLE VI — MEMBERSHIP**

This corporation shall have members. The eligibility, rights and obligations of the members will be determined by the organization's bylaws.

**ARTICLE VII — EXEMPTION REQUIREMENTS**

At all times the following shall operate as conditions restricting the operations and activities of the corporation:

1. No part of the net earnings of the organization shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purpose set forth in the purpose clause hereof.
2. No substantial part of the activities of the corporation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, or any initiative or referendum before the public, and the corporation shall not participate in, or intervene in (including by publication or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office.
3. Notwithstanding any other provisions of this document, the organization shall not carry on any other activities not permitted to be carried on by an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or corresponding section of any future tax code, or by an organization, contributions to which are deductible under section 170(c) (2) of the Internal Revenue Code, or corresponding section of any future tax code.

**ARTICLE VIII - INCORPORATORS**

In witness whereof, we, the undersigned, have hereunto subscribed our names for the purpose of forming the corporation under the laws of the State of XYZ and certify we executed these Articles of Incorporation on May 15, 2004.

\_\_\_\_\_  
 Signature 1

\_\_\_\_\_  
 City, State Zip Code

\_\_\_\_\_  
 Signature 2

\_\_\_\_\_  
 City, State Zip Code

\_\_\_\_\_  
 Signature 3

\_\_\_\_\_  
 City, State Zip Code





## Appendix C - Sample Bylaws

### BYLAWS OF \_\_\_\_\_

#### ARTICLE I - NAME, PURPOSE

**Section 1:** The name of the organization shall be \_\_\_\_\_.

**Section 2:** The \_\_\_\_\_ is organized exclusively for charitable, scientific and educational purposes, more specifically to \_\_\_\_\_.

#### ARTICLE II - MEMBERSHIP

**Section 1:** Membership shall consist only of the members of the board of directors.

#### ARTICLE III - BOARD OF DIRECTORS

**Section 1:** Board Role, Size, Compensation. The Board is responsible for overall policy and direction of the Council, and delegates responsibility for day-to-day operations to the Council Director and committees. The Board shall have up to \_\_\_\_\_ and not fewer than \_\_\_\_\_ members. The board receives no compensation other than reasonable expenses.

**Section 2:** Meetings. The Board shall meet at least \_\_\_\_\_, at an agreed upon time and place.

**Section 3:** Board Elections. Election of new directors or election of current directors to a second term will occur as the first item of business at the annual meeting of the corporation. Directors will be elected by a majority vote of the current directors.

**Section 4:** Terms. All Board members shall serve \_\_\_\_\_ year terms, but are eligible for re-election.

**Section 5:** Quorum. A quorum must be attended by at least \_\_\_\_\_ percent of the Board members before business can be transacted or motions made or passed.

**Section 6:** Notice. An official Board meeting requires that each Board member have written notice two weeks in advance.

**Section 7.** Officers and Duties. There shall be five officers of the Board consisting of a Chair, Vice Chair, Secretary and Treasurer. Their duties are as follows:

The Chair shall convene regularly scheduled Board meetings, shall preside or arrange for other members of the executive committee to preside at each meeting in the following order: Vice-Chair, Secretary and Treasurer.

The Vice-Chair will chair committees on special subjects as designated by the board.



The Secretary shall be responsible for keeping records of Board actions, including overseeing the taking of minutes at all board meetings, sending out meeting announcements, distributing copies of minutes and the agenda to each Board members, and assuring that corporate records are maintained.

The Treasurer shall make a report at each Board meeting. Treasurer shall chair the finance committee, assist in the preparation of the budget, help develop fundraising plans, and make financial information available to Board members and the public.

**Section 8: Vacancies.** When a vacancy on the Board exists, nominations for new members may be received from present Board members by the Secretary two weeks in advance of a Board meeting. These nominations shall be sent out to Board members with the regular Board meeting announcement, to be voted upon at the next Board meeting. These vacancies will be filled only to the end of the particular Board member's term.

**Section 9: Resignation, Termination and Absences.** Resignation from the Board must be in writing and received by the Secretary. A Board member shall be dropped for excess absences from the Board if s/he has three unexcused absences from Board meetings in a year. A Board member may be removed for other reasons by a three-fourths vote of the remaining directors.

**Section 10: Special Meetings.** Special meetings of the Board shall be called upon the request of the Chair or one-third of the Board. Notices of special meetings shall be sent out by the Secretary to each Board member postmarked two weeks in advance.

#### ARTICLE IV - COMMITTEES

**Section 1:** The Board may create committees as needed, such as fundraising, housing, etc. The Board Chair appoints all committee chairs.

**Section 2:** The five officers serve as the members of the Executive Committee. Except for the power to amend the Articles of Incorporation and Bylaws, the Executive Committee shall have all of the powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, subject to the direction and control of the Board of Directors.

**Section 3:** Finance Committee. The Treasurer is chair of the Finance Committee, which includes three other Board members. The Finance Committee is responsible for developing and reviewing fiscal procedures, a fundraising plan, and annual budget with staff and other Board members. The Board must approve the budget, and all expenditures must be within the budget. Any major change in the budget must be approved by the Board or the Executive Committee. The fiscal year shall be the calendar year. Annual reports are required to be submitted to the Board showing income, expenditures and pending income. The financial records of the organization are public information and shall be made available to the membership, Board members and the public.



## ARTICLE V - AMENDMENTS

**Section 1:** These Bylaws may be amended when necessary by a two-thirds majority of the Board of Directors. Proposed amendments must be submitted to the Secretary to be sent out with regular Board announcements.

These Bylaws were approved at a meeting of the Board of Directors of

\_\_\_\_\_ on  
 \_\_\_\_\_, 200X.

*Source:* Minnesota Council of Nonprofits 2700 University Ave. W. #250 St. Paul, MN 55114  
 Phone: (612) 642-1904 Fax: (612) 642-1517 email: [info@mncn.org](mailto:info@mncn.org)

## Appendix D – Sample Budget

<b><u>ORGANIZATION INCOME</u></b>		<b><u>Fiscal Year:</u></b>
<b><u>Source</u></b>	<b><u>Amount</u></b>	
Government grants	\$	
Foundation grants	\$	
Corporation grants	\$	
United Way or other federated campaigns	\$	
Individual contributions	\$	
Fundraising events and products	\$	
Membership or client fee income	\$	
In-kind support	\$	
Investment income	\$	
Other (specify)	\$	
<b>Total Income</b>	<b>\$</b>	

<b><u>ORGANIZATION EXPENSES</u></b>	
<b><u>Item</u></b>	<b><u>Amount</u></b>
Salaries, wages and benefits	\$
Consultants and professional fees	\$
Depreciation	\$
Equipment	\$
In-kind expenses	\$
Insurance and/or other taxes	\$



<u>Item</u>	<u>Amount</u>
Legal Fees	\$
Postage and delivery	\$
Printing and copying	\$
Rent and utilities	\$
Staff Training	\$
Supplies	\$
Telephone, fax & internet	\$
Travel	\$
Other (specify)	\$
<b>Total Expense</b>	\$
<b>Difference (Income less Expense)</b>	\$

## Appendix E – Additional Resources

Alliance for Nonprofit Management  
1899 L Street, N.W., Suite 600  
Washington, DC 20036  
Phone: (202) 955-8406 Fax: (202) 955-8419  
[www.allianceonline.org](http://www.allianceonline.org)

BoardSource  
1828 L Street, NW, Suite 900  
Washington, DC 20036-5401  
Phone (202) 452-6262.  
<http://www.boardsource.org>

Independent Sector.  
1200 18th Street, NW, Suite 200  
Washington, DC 20036  
Phone (202)467-6100  
[www.IndependentSector.org](http://www.IndependentSector.org)



The Management Assistance Program for Nonprofits  
2233 University Avenue West, Suite 360  
St. Paul, Minnesota 55114  
Phone: (651) 647-1216  
[www.mapnp.org/library](http://www.mapnp.org/library)

The National Council for Nonprofit Associations.  
1030 15th Street NW Suite 870  
Washington, DC 20005-1525  
Phone (202) 962-0322; Fax:(202) 962-0321  
[www.ncna.org](http://www.ncna.org)

Nonprofit Financial Center in Chicago, Illinois  
29 E. Madison St., Suite 1700  
Chicago, Illinois 60602-4415  
Phone: (312) 252-0420 Fax: (312) 252.0099  
[www.NFOnline.org](http://www.NFOnline.org)

Internet Nonprofit Center  
[www.nonprofit-info.org/](http://www.nonprofit-info.org/)

The IRS World Wide Web  
[www.irs.gov/bus\\_info/eo](http://www.irs.gov/bus_info/eo)

Non-Profit Nuts and Bolts Web site  
[www.nutsbolts.com](http://www.nutsbolts.com)

