

How to Start a Nonprofit Organization

- #1 Find a charitable purpose for starting a nonprofit organization and a group of individuals able to share your vision, goals, and drive for such a purpose.
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- #2 Do your research. Find existing charities and organizations in your area that may already be working to address the purpose and issues you care about. If you find such organizations, learn about them. Understand where your potential organization may fit in and where duplication of services could be avoided through collaboration.
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- #3 When you have found a group of individuals who share your common goal and purpose, begin your strategic planning process. The planning process should include issues of funding, tax planning, liability, and realistic expectations for the organization over the next 1, 3, 5, and 10 years. Although tedious, this step can make the difference between a successfully sustained nonprofit organization and one that finds itself folding quickly.
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- #4 A name for your organization is the next step in the process. When choosing a name you should check its availability on the State of Michigan's Department of Labor and Economic Growth (DLEG) website: www.michigan.gov/dleg/. Be sure to check the name against DLEG's "Restricted Words", which are also found on the website. Once you have found a name that satisfies both the name availability and DLEG's restricted words, you have two options: 1) file the Articles of Incorporation, assuming the name you have decided upon will not be taken before you file, or 2) if you will be filing your Articles of Incorporation at a later date, you may reserve your name for up to four months by filing Form 540, a portion of which is found below.

APPLICATION FOR RESERVATION OF NAME

For use by Corporations, Limited Partnerships, and Limited Liability Companies

(Please read information and instructions on reverse side)

Pursuant to the provisions of Act 284, Public Acts of 1972 (profit corporations), Act 162, Public Acts of 1982 (nonprofit corporations), Act 213, Public Acts of 1982 (limited partnerships), or Act 23, Public Acts of 1993 (limited liability companies), the undersigned applicant executes the following Application:

1. The name to be reserved is:

2. This name is reserved for use as the name of a (check appropriate box):

- Profit Corporation (for six months following the month of filing) - \$10.00
- Nonprofit Corporation (for four months following the month of filing) - \$10.00
- Limited Partnership (for four months following the month of filing) - \$10.00
- Limited Liability Company (for six months following the month of filing) - \$25.00

A brief glimpse at the instructions for Form 540.

INFORMATION AND INSTRUCTIONS

1. Submit one original of this document. Upon filing, the document will be added to the records of the Bureau of Commercial Services. The original will be returned to your registered office address, unless you enter a different address in the box on the front of this document.

Since this document will be maintained on electronic format, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.

2. If the name is available, the administrator shall reserve it for exclusive use of the applicant.
Profit Corporations and Limited Liability Companies: Upon expiration, the name may again be reserved by filing another application and fee.
Nonprofit Corporations or Limited Partnerships: The Administrator, for good cause shown, may extend the reservation for periods of not more than two calendar months each. No more than two extensions shall be granted. Extension requests must be received in writing by the Bureau prior to the expiration of the reservation period.

#5 After finding and/or reserving the name of your organization, you will want to formally file your organization's Articles of Incorporation with DLEG. The proper form to be filed with DLEG is Form 502, which we will walk through briefly.

A) The keys to successfully filing the Articles of Incorporation are to follow the directions on the form and to answer the questions as accurately and concisely as possible.

BCS/CSD-502 (Rev. 12/85)

MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH BUREAU OF COMMERCIAL SERVICES										
Date Received	(FOR BUREAU USE ONLY)									
	This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.									
<table border="1"> <tr> <td colspan="3">Name</td> </tr> <tr> <td colspan="3">Address</td> </tr> <tr> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> </table>		Name			Address			City	State	Zip Code
Name										
Address										
City	State	Zip Code								
EFFECTIVE DATE:										

Document will be returned to the name and address you enter above. If left blank document will be mailed to the registered office.

- B)** When entering the name that you have chosen, be sure to either put the words: Inc., Incorporated, or Corporation after your name to indicate that the nonprofit corporation you are registering is in fact a corporation.

ARTICLES OF INCORPORATION
For use by Domestic Nonprofit Corporations
(Please read information and instructions on the last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:

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- C)** The purpose of a nonprofit corporation is crucial when there is a goal of receiving tax-exempt 501(c)(3) status from the Internal Revenue Service (IRS). See IRS Publication 557 for sample purpose language that aligns with the requirements for 501(c)(3) status. The IRS Publication 557 can be found on the IRS website at: www.irs.gov.

ARTICLE II

The purpose or purposes for which the corporation is organized are:

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- D)** The founding members of the nonprofit organization will have to make a decision as to whether the nonprofit corporation will be organized on a Stock or Nonstock basis and if on a Stock basis, the members must decide the number of shares to be authorized.
Note that the typical nonprofit corporation is operated on a Nonstock basis.

ARTICLE III

1. The corporation is organized upon a _____ basis.
(Stock or Nonstock)
2. If organized on a stock basis, the total number of shares which the corporation has authority to issue is _____ . If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:

E) As with the rest of Form 502, this section should be answered accurately and concisely. Another important decision to be made by the founding members of the organization will be that of Membership basis versus Directorship basis.

The Membership structure provides for the votes of members of the organization to be binding upon the organization. This is typically done where there are a small number of members who should all have a say in the operation of the organization.

A Directorship structure, on the other hand, provides that only the votes of the directors are binding upon the organization. A Directorship is typically chosen for an organization with many members or with the anticipation of many members. In these organizations, providing the members with an opportunity to vote upon every issue could create inefficiencies in the organizational processes.

ARTICLE III (cont.)

3. a. If organized on a nonstock basis, the description and value of its real property assets are: (if none, insert "none")
- b. The description and value of its personal property assets are: (if none, insert "none")
- c. The corporation is to be financed under the following general plan:
- d. The corporation is organized on a _____ basis.
(Membership or Directorship)

F) The registered office and registered agent serve an important role in the incorporation of a nonprofit corporation. Without a registered office and agent, the corporation cannot be formed due to the State's requirements for service of process and identification purposes.

ARTICLE IV

1. The address of the registered office is:

_____, Michigan _____
(StreetAddress) (City) (ZIP Code)

2. The mailing address of the registered office, if different than above:

_____, Michigan _____
(Street Address or P.O. Box) (City) (ZIP Code)

3. The name of the resident agent at the registered office is:

G) The State of Michigan only requires one (1) incorporator for the filing of a nonprofit corporation. Although it may be recommended to have at least five (5) for federal tax-exempt application purposes.

ARTICLE V

The name(s) and address(es) of the incorporator(s) is (are) as follows:	
Name	Residence or Business Address

H) For every nonprofit looking to receive tax-exempt status from the IRS, it is required that there be a dissolution clause providing that upon dissolution of this nonprofit corporation all assets of the corporation will be transferred to another nonprofit corporation or charity. See IRS Publication 557 for sample dissolution language that aligns with the requirements for 501(c)(3) status. The IRS Publication 557 can be found on their website at: www.irs.gov. The "Use space below for additional Article" language is found on Form 502 and is where the dissolution clause should be added.

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

#6 After filing with the State of Michigan, registering for your organization's Employer Identification Number (EIN, or Tax ID Number) should be the next step. The EIN acts as the organization's Social Security Number allowing the federal government as well as any potential creditors to identify a specific corporation.

A corporation can register for its EIN through Form SS-4, online with the IRS, or over the phone by calling the IRS at: 1-800-829-4933. Although all three methods produce the same result, registering over the phone has proven to be the quickest and easiest method of registration. Below is the first portion of Form SS-4.

Form SS-4 (Rev. July 2007) Department of the Treasury Internal Revenue Service	Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.	OMB No. 1545-0003 EIN _____
or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested	3 Executor, administrator, trustee, "care of" name
	2 Trade name of business (if different from name on line 1)	5a Street address (if different) (Do not enter a P.O. box.)
	4a Mailing address (room, apt., suite no. and street, or P.O. box)	5b City, state, and ZIP code (if foreign, see instructions)
	4b City, state, and ZIP code (if foreign, see instructions)	

- #7 Subsequent to receiving the endorsed (approved) Articles of Incorporation from DLEG, the founding members will take the next steps in the process of operating the organization:
- A) The first Board of Directors will be selected, typically this first board is made up of those founding members.
 - B) The first Board meeting will be held.
 - C) During the first Board meeting, the Bylaws, which set forth the policies and procedures of the organization's operation, will be adopted by the Board.
 - 1. A Conflict of Interest policy should be adopted and implemented either through the Bylaws or as a separate document.
 - D) Also during the first Board meeting, the first officers (typically President, Treasurer, and Secretary) will be elected.

#8 If your nonprofit organization intends to raise money in the State of Michigan, you will need to apply for a Charitable Solicitation License from the State of Michigan Office of the Attorney General – Charitable Trust Division.

- A) The first step in the Charitable Solicitation Licensing process is to fill out the 4-page, 25-question Charitable Solicitation Questionnaire. Note, some organizations may be exempt from having to file for a Charitable Solicitation License, but be sure that you send in a completed questionnaire whether you believe your organization is exempt or not. Let the Attorney General's Office inform you of any exemptions. Below is the first portion of the Charitable Solicitation Questionnaire.

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL

INITIAL CHARITABLE TRUST / CHARITABLE SOLICITATION QUESTIONNAIRE

PLEASE TYPE OR PRINT IN INK

Official Name of Organization				Attorney General File # (CS/CT/T) if applicable	
Address of Organization					
City	County	State	Zip	Area Code	Telephone Number
Fiscal Year End (MM/DD/)	Date Created (MM/DD/YYYY)	What State		Employer Identification No. (EIN)	
Organization Fax Number	Organization Web Site			Organization Email Address	

- B) The second step in the Charitable Solicitation Licensing process is to fill out the Application for License to Solicit Donations. Below is the first portion of the Application for License to Solicit Donations.

DAG 009-055
 AUTHORITY: MCL 400.271
 COMPLIANCE: Required
 PENALTY: Civil, Criminal

STATE OF MICHIGAN
 DEPARTMENT OF ATTORNEY GENERAL

APPLICATION FOR LICENSE TO SOLICIT DONATIONS

ENTER ATTY GEN FILE #
 (MICS/CTAT)

FULL OFFICIAL NAME OF ORGANIZATION		EMPLOYER ID NUMBER
ADDRESS OF ORGANIZATION	ORGANIZATION TELEPHONE	ORGANIZATION FAX
	ORGANIZATION WEB SITE	
<input type="checkbox"/> Check box if new address		
LIST ALL OTHER NAMES UNDER WHICH YOU INTEND TO SOLICIT	E-MAIL ADDRESS	

- C) If requested by the Office of the Attorney General, you may also be required to file Charitable Trust Registration Statement. Below is the first portion of the Charitable Trust Registration Statement.

STATE OF MICHIGAN
 DEPARTMENT OF ATTORNEY GENERAL

CHARITABLE TRUST - REGISTRATION STATEMENT

1. ENTITY TYPE

Testamentary Trust

1a. If Testamentary Trust was checked above, specify the paragraph of the Will that establishes the Trust:

Inter Vivos Trust

Corporation

Other _____

2. LEGAL NAME OF ENTITY: _____

(If incorporated, exact corporate name must be used. If unincorporated, exact name on constitution and bylaws or trust agreement must be used. Copy of creating document showing acceptance by appropriate agency must be submitted.)

3. ADDRESS: _____

(Street)

(City or Town)

(State)

(Zip Code)

TELEPHONE NUMBER: _____

(Area Code)

(Number)

4. DATE AND STATE ENTITY WAS LEGALLY ESTABLISHED: _____

(Date)

(State)

#9 Finally, if your organization has properly planned for the application of tax-exempt status with the IRS and State of Michigan, 501(c)(3) status may be applied for by filing Form 1023 "Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code" with the IRS. See IRS Publication 557 for planning and application purposes. The Form 1023 application process can be tedious and time-consuming so refer to as many resources as you may find available. An excellent resource in the Form 1023 application process is the Michigan Nonprofit Association, www.mnaonline.org. Below is the first page of Form 1023.

Form **1023**
(Rev. June 2006)
Department of the Treasury
Internal Revenue Service

**Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0056
Note: If exempt status is approved, this application will be open for public inspection.

Use the instructions to complete this application and for a definition of all bold items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at www.irs.gov for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I - XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

Part I Identification of Applicant

1 Full name of organization (exactly as it appears in your organizing document)		2 c/o Name (if applicable)	
3 Mailing address (Number and street) (see instructions)		Room/Suite	4 Employer Identification Number (EIN)
City or town, state or country, and ZIP + 4		5 Month the annual accounting period ends (01 - 12)	
6 Primary contact (officer, director, trustee, or authorized representative) a Name:		b Phone:	
		c Fax: (optional)	
7 Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
8 Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
9a Organization's website:			
b Organization's email: (optional)			
10 Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
11 Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY)		/ /	
12 Were you formed under the laws of a foreign country? If "Yes," state the country.		<input type="checkbox"/> Yes <input type="checkbox"/> No	

For Paperwork Reduction Act Notice, see page 24 of the instructions.

Cat. No. 17199K

Form **1023** (Rev. 8-2006)

For more information call the MSU College of Law Small Business and Nonprofit Law Clinic at (517)336-8088 or visit our website at www.law.msu.edu/clinics/sbnp/. This resource was produced with the assistance of Justin Sheehan, Spring 2008 Resident Clinician.