

## Nonprofit Corporation Document Checklist

The business entity information on the Business Knowledge Center website is intended to provide you with background organizational information on the structure of various business entity types. To ensure legal and accounting compliance, you should review and verify your specific organizational documentation with your lawyer and your accountant.

One of the Entity Structure choices you may choose for your business is a Nonprofit Corporation. Creating a Nonprofit Corporation requires the submittal of a series of documents to the Secretary of State's office in the State you choose to form your business.

The State will charge a filing fee for processing the incorporation application and reviewing the required organizational documents. Filing fees will vary by State and will typically fall in the \$150.00 - \$500.00 range.

Nonprofit Corporations are typically run to further some idea or goal for the public benefit, rather than in the interests of profits. Some Nonprofits serve the public interest, and some engage in private sector activities. It does not have owners other than the community at large. It has Officers and Directors but no Shareholders.

If the Nonprofit plans to execute fund raising activities with the public, they may have to also register with the Charities Program associated with the Secretary of State in the state where they reside.

When you set up a Corporation, you create a separate legal person in the eyes of the law. The Corporation will have a birth certificate in the form of a Certificate of Incorporation.

Nonprofit Corporations apply for tax-exempt status from the Internal Revenue Service so that donations from fund raising activities can be tax deductible to the donors and they can avoid having to pay federal income taxes. Most will seek IRS Code 501(c)(3) designation status. Approximately 75.0% of all tax-exempt organizations are exempt under 501 (c)(3). The remaining portion are mostly social welfare nonprofits, business leagues and social/recreation clubs. Many states automatically recognize approved 501(c)(3) applications. It can take 3-6 months to hear back from the IRS regarding the review of a Nonprofit 501(c)(3) application.

To qualify as a tax-exempt organization, a Nonprofit must exist for one or more exclusively charitable purposes. IRS Publication 557 provides a list of charitable purposes including:

- Religious
- Charitable
- Scientific
- Testing for Public Safety
- Library
- Educational
- Fostering of national or international sports
- Prevention of cruelty to children and animals

A Nonprofit does not share out profits. Any funds left over at the end of the year are reinvested in the execution of the mission of the organization.

A Nonprofit Corporation is an organization that is legally incorporated and recognized by the IRS as income tax exempt based on its business activity.

## Reasons why business owners choose a Nonprofit Corporation Entity Structure:

**Limited Business Liability** – Directors and Officers do not have personal liability for business entity liabilities.

**Unlimited Business Life** – Nonprofit Corporations have unlimited business life.

**Capital Formation** – Additional capital can be raised by soliciting donation or applying for available government grants.

**Tax Exempt Status** – Nonprofits can apply for both federal and state tax exempt status.

## Important Documents

(Check off after you have filed, recorded, copied and stored each item)

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### Articles of Incorporation

Document filed with the Secretary of State to create a Corporation. The Articles list the name, address and principal place of business. They typically must state the intent to be a Nonprofit corporation. The Articles define the business purpose of the Corporation, the name and addresses of the initial Board of Directors, and the name of the Registered Agent who will accept official mail and legal papers on the Corporation's behalf.

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### Business Name Reservation Form

Reserves a unique name for the business while you complete the incorporation process.

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### By Laws

Document that supplements the Articles of Incorporation that will define how the Directors and Officers will organize and manage the day-to-day business activities. The By Laws should address how conflicts between Officers and Directors will be resolved.

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### Certificate of Incorporation

A Certificate issued by the Secretary of State after all required organizational documentation has been submitted, reviewed and approved and the related filing fees have been paid. It serves as the effective birth certificate for the Corporation.

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### Annual Report and IRS Form 990

All federal tax-exempt organizations must file an Annual Report on business activities that is open to public inspection. An Annual Report is also required to be filed by the Corporation annually with the Secretary of State. This report is required to maintain approval to do business in the State. The report updates information on the business's address, the names and addresses of the Directors, and the contact information for the Registered Agent. A processing fee is required to be paid.

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### Certificate of Authority

A Certificate issued by the Secretary of State to a Corporation organized in another State authorizing it to do business in the State.

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### Certificate of Existence/Good Standing

A Certificate issued by the Secretary of State as proof the Corporation is currently in good standing and authorized to do business in the State.

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### Tax Exempt Donations/Access to Grants

Donations made to an approved 501 (c)(3) Nonprofit entity by individuals are tax deductible. For the corporation to get tax-exempt status, you must file IRS Form 1023. Some states also require a state-level tax-exempt status filing with the Secretary of State.

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### United States Postal Service Nonprofit Mailing Form

The U.S Postal Services has special lower cost mailing services for Nonprofit organization.

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**Board of Directors Meetings Records**

Minutes should be recorded for all meetings of the Board of Directors. These meetings effectively document the Corporation's business management decisions. The minutes should record who was in attendance and indicate if enough voting Directors were present to vote on and make binding all significant governance decisions on behalf of the Corporation. State law typically requires at least an Annual Meeting of the Directors.

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**Board of Directors' Meetings – Resolutions**

Board Resolutions document decisions and show specifically how Directors voted on matters affecting the Corporation. It is a good idea to create Board Resolutions for key business management decisions like; taking out a business loan, electing new Directors or appointing new Officers, signing a lease, or approving a major new contract with a supplier or a customer.

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**Registered Agent**

Person or business entity named in the Articles of Incorporation to receive notices or service of process.

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**Registered Office**

The office address where the Registered Agent must be located during business hours.