

# Starting a Non-Profit is like having a Baby

## 8 Questions Your Group Should Ask Before Starting a Non-Profit

---

Many self-advocacy groups are interested in becoming formal non-profit organizations. Because it requires so much dedication, we encourage groups to think about this decision and plan. A helpful analogy is to think of starting a non-profit like starting a family or having a baby. It's a big decision. As the founders, you will be bringing something completely new into this world. If you raise the non-profit well, it can continue growing even when you aren't there any more. However, if you are not prepared, it can be very hard and not get your group the results you hoped for.

Here is a guide to help your group start a conversation about becoming a non-profit.



### What is a Non-Profit Organization?

A non-profit organization is a not-for-profit business entity recognized by Internal Revenue Service, the United States' tax collection agency.

A business entity means that it is separate from the people who created it. It is its own legal person.

Non-profits are classified under 501(c) tax code as “public charities”. This means the government recognizes them as businesses that use all of their profit towards promoting their mission. The most common tax code used by self-advocacy groups is 501(c)3 since that is the tax code for groups whose mission is educational or charitable in nature. Groups applying to be a non-profit often say they're applying for “501(c) 3 status”.

## Questions a Group Should Ask Itself Before Becoming a Non-Profit:



- Why do we want to become a non-profit?
  - Is everyone in the group on the same page about the mission and how you can accomplish it? If not, can we get on the same page?
  - Have you had conversations about what your bylaws should include?
  - How would non-profit status help us be a stronger self-advocacy group? How would it not?
- 
- Do current leaders plan to stay involved with the group for at least three years? Are there people you can start training to be leaders after three years?
  - Do our current leaders know how to manage a non-profit organization? (It's okay if they don't know yet. People often learn by doing).
  - Are we becoming a non-profit to fix a problem in our group? If so, what is that problem? Are there other ways to address that issue?
  - Do we have allies who will support us in applying for non-profit status?

## Pros and Cons of Applying for Formal Non-Profit Status

### Pros:

- It can bring legitimacy to the group. The public sees the group as recognized as a tax-exempt corporation by the government. People may give that group more credit. This may mean you get invited to more meetings, can get more donations, etc.



- Many foundations and government agencies require their grantees to have 501(c)3 status. Having this status can open more doors to funding.
  - Donations given to the group are tax-deductible. This means if people give the group money, they can get a tax discount.
  - Non-profits do not have to pay tax on money they make.
- 
- The leaders have “limited liability”. This means if someone tries to sue the agency, they cannot go after the leaders’ personal money, only the non-profit’s. This is because the non-profit is its own entity [unit].

### **Cons:**

- It is a lot of responsibility to be a legal tax-exempt corporation. There is a lot of paperwork you will need to send to the IRS regularly. It is likely that the group will need a lawyer, accountant, and other professionals.
- Applying for non-profit status costs money. The application fee is \$850 for groups that plan to have more than \$5,000 in their bank account. There are also other fees at the state and county level.
- There are rules the non-profit must follow. For a non-profit, the bylaws are a legal document. This means the group must always do what the bylaws say.
- Once the group is a formal non-profit, a lot of time must be spent on maintaining the non-profit. This often takes away from program time.

- There is no guarantee that becoming a formal non-profit will make your group successful. Many groups spend years trying to become a non-profit, become one, don't find funding, and then dissolve. Non-profit status is a tool, but a group must know how to use it.

## How to Apply for Non-Profit Status



**1. Adopt Bylaws.** Bylaws say how your organization should be run. Often times, it is a good idea to include information that is only absolutely necessary. This is because you need enough policies to make decisions, but if you have so many rules it's not practical to always follow them, a member can say you are violating the bylaws. If you violate them, you can have

legal problems. You can find sample bylaws online. It's good to review bylaws from other non-profit organizations to get an idea about what to include.

At a minimum, the bylaws must include:

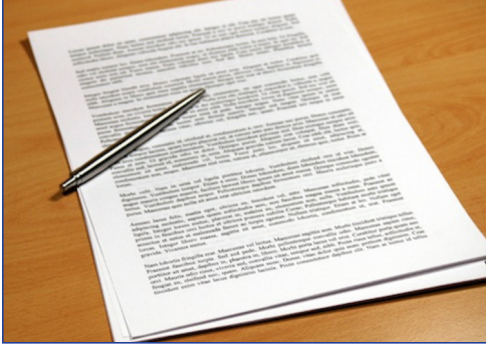
- a. The legal name of the organization
- b. The location of the non-profit
- c. The mission statement
- d. Voting/Decision-Making Structure
  - i. Who makes decisions? (Often, it is a board of directors).
  - ii. How are those people elected and when?
  - iii. What, if any, are their term limits? [**Term limits** = how long people can serve in that role].
  - iv. How do you remove a board member?
  - v. When and where do board members make decisions?
  - vi. What is the quorum? [**Quorum** = how many decision makers must be present so that the non-profit can hold a vote].

- e. Membership information
  - i. Are there members?
  - ii. What is a member?
  - iii. What are member rights and responsibilities?
  - iv. How is the non-profit organized? (Example: staff, board, and committees is a common structure).
  - v. When and where are meetings?
- f. Conflict of Interest Policy
  - i. What are members' responsibilities for dealing with conflicts of interest?
  - ii. What must they do if they have a conflict?
- g. Dissolution policy
  - i. What will the group do if it has to dissolve?  
[**Dissolve** = break up].
  - ii. What if the group was given money? What will it do with that money?
- h. Bylaws Policy
  - i. What must the group do to change the bylaws?



**2. Identify a Board of Directors.** If you are a legal non-profit, you must have a decision-making board. Some non-profits call this board a Governing Board, while others call it the Board of Directors). Usually the Board includes a President, a Vice President, a Secretary, a Treasurer

and At-Large Members. You will have to include the names and addresses of people who hold these positions on the application. You will have to report it every year to the IRS.



**3. Incorporate your organization at the state level.** (A lot of times this is referred to as “filing the articles of incorporation”.) Different states have different paperwork and fees. You can usually find this information online through the Secretary of State’s website. Usually, it is a 1-3

page application that you must pay a small fee to submit. Most times you must also submit the bylaws, too. Some states, like California, also require groups to file an application with the Franchise Tax Board so they don’t have to pay state taxes.

**4. Prepare an application to submit to Internal Revenue Service.** The form to submit is F1023. The IRS estimates it takes 16 hours to complete. You must file the application within 27 months of incorporating at the state level. It usually takes the IRS 4-6 months to consider the application. Follow the directions correctly. If there are mistakes, the IRS will contact you to correct them and the process can be much longer.

It can be good to ask a lawyer to review the application. If you don’t have a lawyer, you can someone who has successfully started a non-profit to review it.

**Optional:** Some times, advocates have situations where they need their application considered faster than the normal 4-6 month timeline. You can include a letter requesting expediency. [Expediency = fast response]. Explain why.

**5. Once you receive a letter from the IRS acknowledging that you are a non-profit, let your state know.**

## More Resources

The IRS has a great pamphlet on applying for nonprofit status. You can find it on their website, or at this link: <http://www.irs.gov/pub/irs-pdf/p4220.pdf>

Form1023help.com is a website started by a specialist who has helped over a thousand groups apply for non-profit status.

Local libraries often have a handful of books on applying or running a non-profit. Usually these books cost \$20-80.

---

For questions about this resource guide, please contact the **Autistic Self Advocacy Network (ASAN)** at [info@autisticadvocacy.org](mailto:info@autisticadvocacy.org)

This Resource Guide was developed for ASAN's **Pacific Alliance on Disability Self-Advocacy** project. Pacific Alliance is an effort funded by the Administration on Intellectual and Developmental Disabilities to support self advocacy groups with technical assistance. For more about the ASAN or the Pacific Alliance, visit us at [www.autisticadvocacy.org](http://www.autisticadvocacy.org).



[www.autisticadvocacy.org](http://www.autisticadvocacy.org)

*The Autistic Self Advocacy Network (ASAN) is a non-profit organization run by and for autistic people. ASAN provides support and services to individuals on the autism spectrum while working to change public perception and combat misinformation. Our activities include public policy advocacy, community engagement to encourage inclusion and respect for neurodiversity, quality of life oriented research and the development of autistic cultural activities.*