



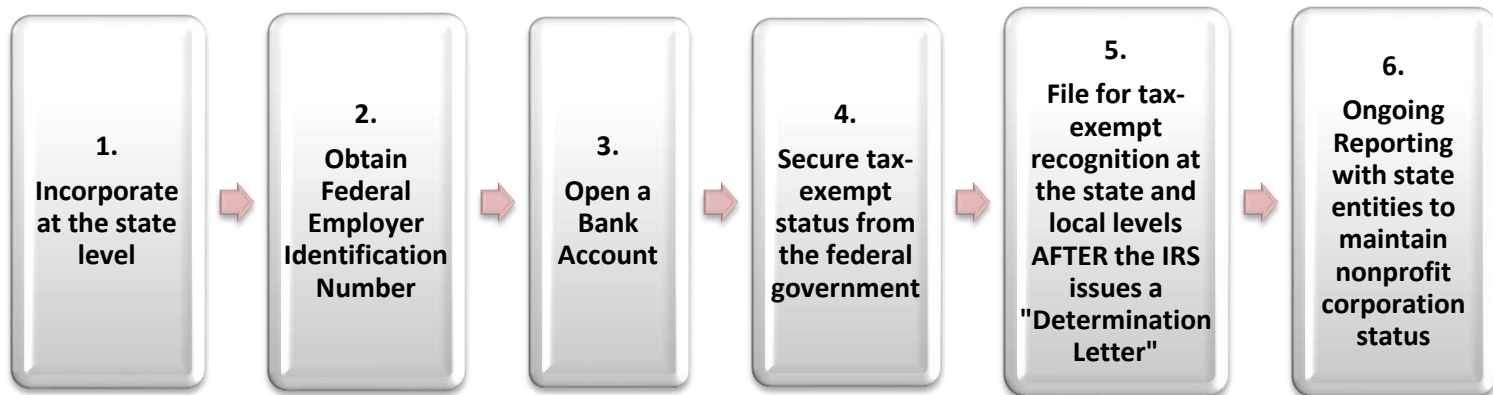
****Please note:** the IRS and other supporting agencies have furnished the following content and supporting documents. Web sites and contact information are subject to change. **DO NOT** consider this information as legal advice. It should only serve as a guide. Contact your local, state, or governmental agencies for further assistance.

The following information will guide you through the process of becoming a nonprofit corporation and exempt under Internal Revenue Code ("IRC") section 501(c)(3). Please utilize this document only as a general guide, as the steps provided below may not apply to all situations. In many situations, legal assistance may be necessary.

What is the difference between nonprofit and tax-exempt status?

Nonprofit status is a state law concept. Nonprofit status may make an organization eligible for certain benefits, such as state sales, property and income tax exemptions. Although most federal tax-exempt organizations are nonprofit organizations, organizing as a nonprofit organization at the state level does not automatically grant the organization exemption from federal income tax. To qualify as exempt from federal income tax, an organization must meet requirements set forth in the Internal Revenue Code. See [Types of Tax-Exempt Organizations](#) or [Publication 557](#) for more information.

There are six major steps involving quite a bit of paperwork to become tax-exempt, followed by ongoing reporting on an annual basis.





Why incorporate?

If some unfortunate incident should happen (such as an injury at a tournament or fundraising event), and the injured party decides to sue, those managing an unincorporated organization are more likely to face personal liability. Incorporation does not guarantee no one will sue the league or team leadership, but it does provide a measure of defense. The corporation would be the defendant instead of the individuals. The costs associated with incorporation vary from state to state. Costs include a filing fee and, in some states, an advertising fee to publish the fact of incorporation. In addition, unless someone does the legal work for free (“pro bono”), there will be the costs of preparing the legal documents - the articles of incorporation (“charter”) and bylaws.

CHECKLIST FOR FORMING A NONPROFIT CORPORATION:

- Determine if you really need to start a nonprofit.**
- Decide on the purpose and mission.**
- Recruit board members.**
- Check for organization name availability.**
- Write and file the articles of incorporation.**
- Create a business plan with a budget.**
- Incorporate as a nonprofit organization.**
- Draft the corporate bylaws.**
- Hold first meeting of the board.**
- Apply for Federal Employer Identification Number (EIN) – IRS Form SS-4.**
- Open a bank account.**
- Obtain income tax exempt status from the IRS.**

Determine if you really need to start a nonprofit.

Is starting a new nonprofit organization really the best way to accomplish your goals? Other alternatives, including collaborating with an existing nonprofit organization, establishing an informal club or association, finding a fiscal sponsor, or forming a for-profit business, may achieve your objectives quicker, more efficiently, and for the best benefit of your target audience.

We recommend connecting with an existing organization, such as a YMCA, Boys and Girls Club, or a local Parks and Recreation Department, as it is often easier to establish a new lacrosse program through an existing infrastructure. However, if you are determined to set up your own nonprofit organization, the following information will guide you through this process. (Note: the 501 (c) (3) status of US Lacrosse does not extend to local teams and leagues).

Decide on the purpose and mission.

The purpose of a charitable nonprofit *must be for the public interest and common good*. It should establish a single mission and a set of goals and programs that will accomplish that mission. This is a step where a new nonprofit should analyze what it wants to do, who it wants to reach, and how it wants to influence society. A mission statement should be brief, timeless, and descriptive of what the organization is trying to accomplish. The mission statement will guide the organization through its initial formation, program development, growth, and change.



Recruit board members.

The initial board of directors assumes much of the responsibility in starting a new nonprofit. They will determine the direction and goals of the organization and set precedents for future board members. They approve the original bylaws, do the initial fundraising, and hire staff as the organization takes shape and becomes an entity. This initial all-volunteer period can prove to be very challenging for new organizations.

Check for organization name availability.

Before you take any steps to form your organization, it is crucial that you check to make sure that the name you have selected for your organization is available. Refer to your state laws for detailed information, rules, and fees associated with this step.

Write and file the articles of incorporation.

The founders of the organization should write the articles of incorporation. This document formally names the entity, its location, and its purpose. This document is the legal record of the organization's management. [State law](#) governs filing requirements for and the contents of articles of organization.

It is necessary to write and file the articles of incorporation prior to applying for tax-exempt status from the Internal Revenue Service. However, the IRS requires specific language be used to describe the charitable purpose of the organization, and the requirements it must follow for exemption, so it is a good idea to obtain the federal forms and Publication 557 before your begin the application process to become tax-exempt.

****US Lacrosse Resource:** US Lacrosse has prepared standard form provisions to be included as part of the **Articles of Incorporation** for a youth lacrosse organization. You can access the template on the US Lacrosse website, [click here](#).

Create a business plan with a budget.

Creating a realistic business plan provides a sense of direction to the organization as it develops. A plan should include what the organization's goals are, what programs it will operate, where it will get funding, will it conduct events, will the organization have staff, volunteers, and more. It should also include a budget plan. What about funding, will programs rely on grants, individual donations, state, or federal contracts? What expenses will the organization incur?

A business plan and budget are not only useful in thinking through the structure of the organization, but they are required as part of the narrative section of [IRS Form 1023](#), Application for Tax-Exempt Status. ([Instructions for IRS Form 1023](#))

Incorporate as a nonprofit organization.

Incorporating an organization can provide stability during personnel changes, ease future relationships with funders, contractors and employees, and provide the means to apply for tax-exempt status through the IRS. [State law](#) governs filing requirements for and the contents of articles of organization. Filing articles of incorporation with your state does not make the organization a nonprofit, tax-exempt charitable organization under Federal law. Depending on the goals of your organization, it may be necessary to take the next step and file the required forms to be a federally recognized nonprofit.



Draft the corporate bylaws.

The bylaws will serve as the rulebook for the nonprofit. There is substantial flexibility to writing the organizational bylaws to fit the uniqueness of an organization. They are flexible and relatively easy to amend as the organization changes and grows. Refer to your state nonprofit laws when forming the bylaws.

****US Lacrosse Resource:** US Lacrosse has prepared standard form **by-laws** for a youth lacrosse organization. The intent of the form by-laws is to provide you with a starting point for the development of your own bylaws. You can access the template on the US Lacrosse website, [click here](#).

Hold first meeting of the board.

The first official meeting should consist of the initial board members or incorporators. This gathering marks the official start of the organization. At the first meeting of the board, the initial board members must approve the drafted bylaws and adopt its principles. The new organization will also vote on new board members and officers as it is called for in its bylaws. Once these activities are accomplished, the board should begin tackling the mission and start the process of obtaining tax-exempt status.

Apply for Federal Employer Identification Number (EIN) – IRS Form SS-4.

An Employer Identification Number (EIN), also known as a Federal Tax Identification Number, identifies a business entity. The EIN is a nine-digit number used for tax filing and reporting purposes; it is usually required to open a bank account or in other fiscal operations. Every exempt organization must have an EIN, whether or not it has any employees. Organizations are required to obtain their EIN before submitting an exemption application with the IRS (before filing IRS Form 1023).

Once incorporated, the newly established nonprofit organization can apply for their EIN by filing [IRS Form SS-4](#). *This is a free service offered by the Internal Revenue Service and you can get your EIN immediately.* You must check with [your state](#) to make sure you need a state number or charter. Go to the [IRS Employer ID TIP Page](#) for information on how to apply for an EIN.

Open a bank account.

Nonprofit associations, like businesses, generate revenue and expenses. It is essential for nonprofits to maintain a bank account to account for these activities properly. You can open a bank account and start doing business before the IRS grants you a specific tax status, but you will not receive all of the benefits associated with tax-exemption until you get your IRS approval.

When you open your bank account, the bank will want to see your incorporation papers and EIN number. So before you head to the bank, gather the official organization documents required to open your bank account. Standard documents to open a nonprofit account include a copy of your nonprofit's articles of incorporation, articles of organization or charter, and a copy of the Employer Identification Number issued by the Internal Revenue Service. These documents show when the state formally recognized your organization and prove your organization's tax identification number.

At this time, the bank may ask for a list of the officers, the treasurer, and ask who will be able to sign checks. Therefore, before you head to the bank, you will also want to gather information about the organization's officers. These documents include an official list of all officers and government-issued identification for each officer. Official officer listings are in your nonprofit organization documents filed with the state. Banks typically require this information for



each officer, even if an officer will not make deposits and withdrawals from the account. Providing a photo ID and Social Security card for each officer is standard, but some banks may also require an additional form of ID.

Ask your banker if they waive fees for nonprofits and the requirements. Once your balance is large enough and the bank wants to keep your business, you might be able to ask it to sponsor one or more of your events. Your banker can also help you review different financial instruments to better protect and grow your money.

Obtain income tax exempt status from the IRS.

There are several steps and filing requirements an organization needs to complete before receiving exemption. The following steps apply to 501(c)(3) status from the IRS, the most common type of tax-exempt organization.

First, obtain [IRS Publication 557](#) — Tax-Exempt Status for Your Organization. This 55-page document includes no forms to file, but lays out the federal laws regulating tax-exempt organizations. It is available free and serves as a useful reference guide for filing requirements, employment issues, lobbying expenditures, and many other complex nonprofit issues regulated by IRS codes.

Second, get a copy of [IRS Form 1023](#) and instructions — Application for Recognition of Exemption under 501(c)(3) of the Internal Revenue Code. Form 1023 applies for a ruling or determination letter on an organization’s exempt status under Section 501(c)(3).

Checklist of Forms

State	Federal	Description
	Publication 557	An IRS publication that details the rules and procedures for seeking to obtain exemption from federal income taxes
Application for Reservation of Name		Reserves a unique name for the organization for a limited number of days
Articles of Incorporation		Legally incorporates the nonprofit under state law.
	Form SS-4	IRS application for an Employer Identification (Federal ID) Number
	Form 1023	Applies for federal tax exemptions under Section 501(c)(3) of the IRS tax code. Must accompany Form 8718 (User Fee for Exempt Organizations Determination Letter Request).
	Form 990	IRS form that files a tax return for tax-exempt organizations



RESOURCE LIST - WEBSITES AND PUBLICATIONS:

The following list includes descriptions and links to selected web sites of interest for starting and running a non-profit organization. For easier browsing, they are arranged by subject.

Guides to establishing a board of directors:

National Center for Nonprofit Boards: www.ncnb.org/main.htm

This is a non-profit organization dedicated to building stronger non-profit boards and stronger non-profit organizations. It includes educational programs, consulting services, and publications on all aspects of nonprofit governance. If you want to learn more about working with boards of directors, then this site will be very useful to you.

Robert's Rules of Order: www.robertsrules.com

By Henry M. Robert, Sarah Corbin Robert, and William J. Evans; this publication explains the language and procedures for running an official board meeting.

Carver Guide Series on Effective Board Governance: By John Carver and Miriam Mayhew Carver, this publication includes a variety of guides offering helpful information on operating a board of directors.

General information sites:

The Non-profit Times: www.nptimes.com

The Non-profit Times web site is a popular monthly newspaper covering all aspects of non-profit work, including volunteers.

The Chronicle of Philanthropy: www.philanthropy.com

The Chronicle, published every other week, is a prime news source for people involved in the philanthropic enterprise. The web site offers a summary of the contents of the current issue of The Chronicle, a list of forthcoming conferences and workshops, job opportunities in the non-profit world, and other information.

Philanthropy Journal Online: www.pnnonline.org

The Philanthropy Journal Online provides the latest news on the non-profit sector, including an entire section dedicated to volunteerism.

Learning Institute for Nonprofit Organizations: www.uwex.edu/li

This collaboration between the Society for Non-profit Organizations, the University of Wisconsin Extension, and Wisconsin Educational Television has many components, including a Web site. Among other things, you can learn more about LINO's distance learning plans to use video broadcasts for teaching management skills.

Non-profit Nuts & Bolts: www.nutsbolts.com

Provides practical tips from its monthly printed newsletter to help non-profit executives better manage their organization. Articles cover topics such as fundraising, volunteer management, public relations, special events, committees, board relations.



Volunteerism:

Points of Light Foundation: www.pointsoflight.org

Volunteer Today: www.volunteertoday.com

Best Practices for Developing a Volunteer Program Packet by MD Advisory Committee on Volunteerism (available through US Lacrosse by contacting info@uslacrosse.org)

Government Resources:

Attorneys General Internet Web Sites: www.naag.org

US Nonprofit Gateway: www.nonprofit.gov

Foundations and Corporations:

Council on Foundations: www.cof.org

The Council on Foundations is an association of foundations and corporations that serves the public good by promoting and enhancing responsible and effective philanthropy. Their web site includes a great deal of helpful information about foundations, including a directory of community foundations, FAQs about foundations, finding foundation grants, and starting a foundation.

Hoover's Online: www.hoovers.com

Gifts in Kind: www.giftsinkind.org

NAEIR (National Association for the Exchange of Industrial Resources): www.naeir.org

Sponsorship Sourcebook: www.sponsorship.com

CompuMentor: www.compumentor.org

This company can provide a good source of discounted hardware/software for non-profit organizations.