Phase 1: Research & Organize

☐ Establish a Purpose
The purpose of the organization needs to be exclusively charitable and/or educational, aligning with the restrictions of IRS §501(c)(3). (http://www.irs.gov/charities/charitable/article/0,,id=96099,00.html)

☐ Recruit a Board of Directors
This should be a group of at least 5-7 unrelated individuals that will be responsible (legally) as fiduciaries for the organization's governance, finances, and legal compliance. You should attempt to have a majority of "unrelated" individuals on your board, which relates both to familial and business relationships. The most important quality of a successful board member is commitment to mission.

☐ Research Similar Organizations
Conduct a market analysis to identify other organizations that have similar purposes to your intended organization. Such organizations are resources to help you determine the need in the community, the viability of your idea, the types of programs that already exist, and the potential level of support, both financial and otherwise, that exists. If you are at all unsure about what it takes to run a successful nonprofit, these agencies will be rich resources from which to learn – they are most likely to know "what it really takes" to make it work.

☐ Develop Program Plans & A Budget
You will need to describe your proposed program activities in detail. This includes exactly whom you plan to serve and by what means. Once you make those determinations you will need to create a budget forecast for your first three years. This includes all expected forms of income (grants, donations, fee for service, etc.) and necessary expenses to operate your business and deliver the programs described.

Maryland Nonprofits offers members free access to several grants research search engines in its Rockville and Baltimore offices. Join now.

☐ Create a Mission Statement
Your founding board must articulate a mission for the organization: a clear, brief statement that tells the community what your purpose is, and what you wish to accomplish through your charitable efforts.

☐ Draft Bylaws
Bylaws are the organization's rules for internal governance, and dictate the specifics regarding how the board of directors functions and how important decisions are made and carried out. Bylaws should be signed by at least two officers and must be attached to the federal tax-exemption application (but do not need to be submitted to the State).

☐ Develop a Conflict of Interest Policy
This policy will assure that conflicts of interest are avoided whenever possible and mitigated when decisions are made regarding the use of organizational resources and/or assets. A conflict of interest policy and accompanying declaration of interest statement help to protect the organization and its board members in cases where competing interests exist. *Conflict of Interest Policy should be attached to federal tax-exemption application.

Maryland Nonprofits offers members model conflict of interest polices free of charge. Join now.
PHASE 2: FILE FOR STATE CORPORATION STATUS

☐ **File Articles of Incorporation (Corporate Charter)**

Be sure to file Tax-Exempt Non-Stock Articles of Incorporation. In order to have articles that will qualify your corporation for Federal §501(c)(3) tax-exempt status, you must have a dissolution clause that meets the requirements of the IRS indicating that if your organization is dissolved, “assets will be distributed for an exempt purpose described in §501(c)(3), or to the federal government, or to a state or local government for a public purpose.”

File with Maryland State Department of Assessments and Taxation, Corporate Charter Division
301 W. Preston Street, Room 809
Baltimore, MD 21201-2395
410-767-1340
http://www.dat.state.md.us

**Fee:** $170 ($150 fee plus $20 Organization & Capitalization Fee); we recommend you consider expedited service, which is an additional $50.

☐ **Hold Organizational Meeting**

Board members identified in the Articles of Incorporation elect slate of officers (including President, Vice President, Secretary and Treasurer); bylaws are ratified; and Articles of Incorporation are accepted. Meeting minutes are taken to create a record of the meeting and elected officers. **This meeting is required by law in order to complete formation of your corporation.** N.B. - Founders must understand the difference between serving on the Board and being employed as the Executive Director. We encourage founders to determine in advance of formation whether to serve as a volunteer board member or to serve as a paid staff member (e.g., Executive Director).

☐ **Obtain Federal Employer Identification Number (EIN) from the IRS**

You can file the form SS-4 online or by mail, phone, or fax.

Internal Revenue Service
Attn: EIN Operations
Cincinnati, OH 45999
Phone: (800) 829-4933
FAX: (613) 447-8960
http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online

PHASE 3: OBTAIN FEDERAL TAX-EXEMPTION DETERMINATION

Nonprofits obtain tax-exempt status by filing an application with the IRS, the **Form 1023 Application**, and receiving a positive determination letter in response from the IRS. The time needed to complete this form varies greatly based on individual circumstances. The form can be difficult to understand, and extremely time consuming. Answering incorrectly can damage your application.

☐ **Complete and File IRS Form 1023 (if seeking §501(c)(3) tax-exempt status)**


Filing this form will require a date-stamped copy of your filed Articles of Incorporation, signed Bylaws, an adopted Conflict of Interest Policy, a detailed description of program activities, and your program budget for at least 3 years.

**Fee:**

$400 - if your projected gross revenue average is less than $10,000 for the first three years

$850 - if your projected gross revenue average is greater than $10,000 for the first three years

After filing the Form 1023, IRS response time can vary, taking anywhere from 3-12 months before you receive your determination letter.
ONCE YOU HAVE YOUR §501(c)(3):

Congratulations! There are still some important legal requirements you will need to meet to obtain exemption from certain state taxes, and to register to fundraise.

- **File Charitable Solicitation Form (COR-92)**
  Organizations that received less than $25,000 in the previous fiscal year, file the Exempt Organization Fund Raising Notice (http://www. sos.state.md.us/charity/ExemptOrganizationFund.pdf). Organizations that receive more than $25,000 in the previous fiscal year, file the COR-92 with necessary attachments (http://www.sos.state.md.us/charity/COR-92.pdf).

  Maryland Charitable Organizations Division
  Office of the Secretary of State
  State House
  Annapolis, Maryland 21401
  410-974-5534 or 1-888-874-0013 (within Maryland)

  Other States
  http://www.multistatefiling.org/n_appendix.htm

- **Apply for Exemption from State Sales and Use Tax**
  Register with the Comptroller and obtain sales and use tax-exemption by completing the Combined Registration Application (http://forms.marylandtaxes.com/current_forms/crd.pdf)

- **File for State Income Tax-Exemption**
  Submit an explanation of the nature, purpose, and scope of your organization; a copy of the IRS tax determination letter; a copy of your organization's bylaws; and a copy of the latest financial statement of your organization to:
  Comptroller of the Treasury, Revenue Administration Division
  Attention: Legal Department
  110 Carroll Street
  Annapolis, MD 21411
  1-800-MD TAXES (638-2937) and 410-260-7980.

Optional

- **Real Property Tax-Exemption**
  If the organization owns real estate, it may apply for real property tax-exemption by contacting the Supervisor of Tax Assessments for the county in which the property is located: (http://www.dat.state.md.us/sdatweb/county.html)

MAINTAIN YOUR NONPROFIT STATUS

- **Obtain any Required State or Local Licenses or Permits**
  For more information, consult www.dllr.state.md.us/ or choosemaryland.org/Blis/pages/default.aspx

- **File Maryland Form No. 1 – Personal Property Return**
  Due every year by April 15th (http://www.dat.state.md.us/sdatweb/personal.html#forms)

- **File Form 990-N, Form 990-EZ, or Form 990 with IRS based on annual gross receipts**
  The form required depends on the organization’s annual gross receipts (http://www.irs.gov/charities/article/0, id=184445,00.html). This form is due the 15th day of the 5th month after the organization’s accounting period ends (May 15th for a calendar year filer). More information may be found at: (http://www.irs.gov/charities/article/0, id=256974,00.html and www.irs.gov/pub/irs-pdf/p4221pc.pdf)

- **Read IRS Compliance Guide for §501(c)(3) Public Charities**
Update Solicitation Registration Annually
File an annual update of the forms listed above in “Once You Have §501(c)(3) – Charitable Solicitation Form (COR-92)” within six months of the end of the organization’s fiscal year (other deadlines may apply in other states).

Substantiation and Disclosure Requirements
Organizations must give written acknowledgement of charitable contributions, and organizations must make certain documents available publicly. For more information, see:
http://www.sos.state.md.us/charity/DisclosureRequirements.aspx

Resident Agent and Principal Office
Update resident agent and office information, as necessary, by filing a resolution with the State Department of Assessments & Taxation. http://www.dat.state.md.us/sdatweb/ch_addr.PDF

Maintain Accurate and Complete Corporate and Financial Records
Adopt policies that ensure proper oversight and controls on financial matters and retention of documents.

Maryland Nonprofits offers members model policies free of charge. Join now.

IF YOU HAVE EMPLOYEES OR INDEPENDENT CONTRACTORS
(Failure to comply with some employment laws may expose individual Board Members to personal liability that is not covered by Directors’ & Officers’ Liability Insurance.)

Register Employees with Comptroller of Maryland

Pay State Employment and Unemployment Taxes

Pay Federal Employment Taxes

Pay Workers’ Compensation Insurance

Display Required Posters

OBTAIN PROPER INSURANCE FOR ORGANIZATION, BOARD MEMBERS AND OFFICERS

Assess all insurance needs for the organization, including general hazard, property, and Directors and Officers Liability.

Maryland Nonprofits helps member organizations with their insurance needs. Join now.
## IMPORTANT WEBSITES

<table>
<thead>
<tr>
<th>Name Search</th>
<th>Website</th>
</tr>
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<tr>
<td>Articles of Incorporation</td>
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<td>Forms and fees</td>
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<tr>
<td>Charitable registration</td>
<td><a href="http://www.sos.state.md.us/Charity/RegisterCharity.htm">http://www.sos.state.md.us/Charity/RegisterCharity.htm</a></td>
</tr>
<tr>
<td>Info about other NPO's</td>
<td><a href="http://www.guidestar.org">www.guidestar.org</a></td>
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<td>Info about Maryland NPOs</td>
<td><a href="http://www.marylandnonprofit.org">www.marylandnonprofit.org</a></td>
</tr>
</tbody>
</table>
DO YOU REALLY WANT TO START A NONPROFIT?
JANUARY 16, 2015

Greater Baltimore Cultural Alliance Contact:
1800 N. Charles St., Suite 810, Baltimore, MD 21201
Phone: 410-230-0200
E-mail: gba@baltimoreculture.org
Web: www.baltimoreculture.org

ADDITIONAL RESOURCES:

• Maryland Association of Nonprofit Organizations
  1500 Union Ave, Suite 2500, Baltimore, MD 21211
  Phone: 410.727.6367
  Web: www.marylandnonprofits.org

• Maryland Volunteer Lawyers for the Arts
  1500 Union Ave., Suite 1330, Baltimore, MD 21211
  Phone: 410-752-1633
  E-mail: info@mdvla.org
  Web: http://mdvla.org/

• Community Law Center
  3355 Keswick Road, Suite 200, Baltimore, Maryland 21211
  Phone: 410-366-0922
  E-mail: mail@communitylaw.org
  Web: www.communitylaw.org

• Fusion Partnerships
  1601 Guilford Ave., 2 South, Baltimore, MD 21202
  Phone: 410-889-4700
  Web: www.fusionpartnerships.wordpress.com

• Greater Homewood Community Corporation
  3503 N. Charles St., Baltimore, MD 21218
  Phone: 410-261-3500
  Web: www.greaterhomewood.org

• Fractured Atlas
  248 W. 35th St., 10th Fl., New York, NY 10001
  Phone: 1-888-692-7878
  Web: www.fracturedatlas.org

SAVE THE DATE:
Maryland Arts Day in Annapolis
Tuesday, February 10, 2015
Register Today at mdarts.org!