

How to Obtain 501c3 Non-Profit Status in the State of California

Ryan Alaniz
Updated November 2011

Disclaimers:

1. This short step-by-step process description distills many hours of information gathering as well as my own successful experience of going through the 501c3 process. I am not a lawyer or an expert in this area.
2. I believe these steps can be used in any state. I expect the costs and requirements to be slightly different depending on where you file.
3. I obtained 501c3 status for [The Fútbol Project](#) in 2005. Certain requirements may have changed since then.

Step 0—Think through the process and whether it is worth it

1. Read as much as you can about the process and talk to people who have already successfully obtained their 501c3 status as they will be a tremendous resource.
2. Decide whether it is worth the time, energy and money. There are many worthwhile organizations which do not have the 501c3 status. The benefits in terms of legitimacy, tax-deductible donations, and freedom to define it as your own are often worthwhile. Once you have decided that this is what you want, continue to step 1.
3. Initial costs:
Prepping material and initial fundraising: about \$100
All aspects to file for 501c3 status: about \$600.

Step 1—Download and Read IRS Form 1023

IRS Form 1023 is the long application you will need to fill out and file. It is helpful to know what you are getting into and what the IRS is looking for from day one. Take an hour or two to familiarize yourself with the document. <http://www.irs.gov/pub/irs-pdf/f1023.pdf>

Step 2--Fictitious Business Name

1. Pick a good name for your non-profit. Make sure that if you shorten it to first letter initials it does not spell something problematic, such as American Society of Sociologists (ASS).
2. File Fictitious Business Name with the County Clerk Recorder Office in the county that your organization is located in. Fees vary but are usually **under \$30**.
3. Run your Fictitious Business name in the local newspaper. This is a requirement. Often the county clerk will give you a list of newspapers to run your ad. Check prices – they can vary from **\$25-\$75**.
4. Also, look at the IRS Form 1023. This is what you will eventually need to file so start working on it from DAY 1. <http://www.irs.gov/pub/irs-pdf/f1023.pdf>

Step 3--Checking account

Obtain a checking account at a local bank using your fictitious business name. The checking account will have to be under your social security number initially. This can be changed once you have a 501c3 status.

Step 4--Employee Identification Number (EIN)

1. Obtain an EIN for your organization. This will eventually become your non-profit number. It is also the number which you can give to your first donors advising that your organization has non-profit status pending (as long as you plan to file within the next 90 days).
2. Here is the application for an Employer ID with IRS (SS-4)
3. <http://www.irs.gov/pub/irs-pdf/fss4.pdf>
4. Or online: <http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

Step 5--Fundraising and Publicity

Fundraising

1. There are many ways to fundraise and there are numerous resources online. Think about the ways that you have been approached about giving money and what inspired you to give to certain groups rather than others. Also, do not get overwhelmed. Start with a goal, create steps to get to that goal, and then create a plan for each step. Fundraising often has a snowball effect—as you gain momentum and people become familiar with your organization, fundraising becomes easier.
2. Get help. Ask people close to you to get involved and work on the project. Give them clear roles that are manageable in their busy lives.
3. Stay positive. Not all things go as planned and that is ok. Just keep moving forward.
4. Stay motivated. Every day remember why you are doing what you are doing. Make a vision board to physically remind you about the good you are doing for the world.

Publicity

1. Having a recognizable name is important. Why should someone give money to an organization they have never heard of? Put your name out there as much as possible.
2. Send in press releases to the local papers.
3. Create a nice looking website.
4. Have brochures and business cards to hand out to EVERYONE.
5. Have three ways of telling your non-profits story: 1. a ten second (elevator) version; 2. a thirty second version; 3. a one-minute version. I recommend writing each out and sharing them with your volunteers/board members.

Records

Keep records of everything. When you turn in your application, the more articles, brochures, pictures, and information you have about your organization, the easier it will pass through the 501c3 process.

Step 6--Articles of Incorporation

1. Complete your Articles of Incorporation: *This is really easy. Just fill in the blanks.*
2. Sample: http://www.ss.ca.gov/business/corp/pdf/articles/corp_artsnp.pdf
3. I recommend not naming your offices/officials in the original Articles of Incorporation. This will give you a little more time to find the right people. The state will send you a form to name your officers after you are approved.
4. File your Articles of Incorporation with the Secretary of State. The fee is **\$30**.
5. By mail: Secretary of State 1500 11th Street PO Box 944230 Sacramento, CA 94244-2300

Step 7—Franchise Tax Board (Form FTB 3500)

This form exempts you from California taxes. Obtain the application from the [Franchise Tax Board](#) for Tax Exemption Form FTB 3500 (you can file it later). The fee is \$25. <http://www.ftb.ca.gov/forms/misc/3500.pdf>

Step 8--Statement of Information from the Secretary of State (Form SR100)

You will receive a Statement of Information from the Secretary of State (this is in response to your articles of incorporation—they want to know about board members) via USPS mail. THIS IS FORM SR100. Fill this in with the addresses of your board members and return it as soon as possible. Make sure you make a copy before you send it off.

Step 9--Preparation of Form 1023 (*The hardest part*)

In preparation for filling out Form 1023, you should:

1. Put together a **board of directors** (ours started as a five person board with myself as Executive Director (ED) but not board member. Being the ED leads to more freedom in terms of financial reimbursement in the future). Also, try and find a treasurer who is a CPA and can help walk you through all the financial issues liking filing taxes. Any CPA is capable even if they do other types of taxes. Otherwise, look for people who are responsible, trustworthy, interested in what you are doing, and willing (have the time) to do the work you want them to do. Be clear about the time commitment and their roles. It is worth writing out and being upfront about the responsibilities.
Finding board members-- <http://www.boardsource.org/Knowledge.asp?ID=3.369>
Board Member Responsibilities <http://nonprofit.about.com/od/nonprofitbasics/p/boardbasics.htm>
2. I recommend doing a **Non-Profit Business Plan**. This will help with defining your goals and the process through which you will obtain those goals. It is not necessary for the process though.
Examples: (But you do not have to buy the software)
Best and Free <http://www.wevonline.org/docs>
<http://nonprofit.about.com/od/nonprofitbasics/p/boardbasics.htm>
http://managementhelp.org/strt_np/strt_np.htm
3. **Bylaws**—you must write up bylaws. The easiest way is to find a similar organization to yours and ask them to see their bylaws...or better yet, ask them to email you their bylaws. Many organizations have them some where on their website. As you read through you can tweak each bylaw to fit your goals. I looked at a number of bylaws before finding the right fit.
Example-- <http://users.aristotle.net/~nonprofit/startup/bylaws.htm>
Example 2--<http://www.biztree.com/Templates/Bylaws---Not-for-Profit-Corporation.html>
4. **Conflict of Interest Policy**—COI, like the bylaws, is pretty straight forward. The easiest way to complete it is to copy and paste from someone else. Like the bylaws I believe these are public information so all organizations have them and should share them upon request.
For California-- http://ag.ca.gov/conflict_interest/
Other example--http://www.hurwitassociates.com/l_conflict.php
5. Write up a **chronology and description of all activities** that your organization has done since the date of incorporation as well as those you plan to do for the next 12 months. The more specific

you can be the better. This will illustrate that you know what you are doing and how you are going to accomplish your goals.

6. **Financial Data**—Be sure you have very clean and professional looking spreadsheets on the donations coming in and expenditures going out. Any extra information (such as how much is coming in from grants vs. individuals) should also be detailed.

Step 10--Fill out Form 1023

The IRS 1023 form is not as hard as many people believe. As long as you truly qualify for the non-profit status you should not have a problem filling it out. The best and quickest way is to find an organization that was approved and ask if they will let you look at their form 1023. Fill it out in a similar fashion adding in the information you gathered in Step 8 and you should have no problems.

The filing fee is currently **\$500**. I would warn against paying the less expensive filing fee as it means you can only obtain \$10,000 a year in donations. You can change this later but you will have to fill out another application and pay another filing fee. No matter how small your organization \$10,000 is not much after you have been at it for a while. Remember if you shoot for the stars at least you will hit the moon.

<http://www.irs.gov/pub/irs-pdf/f1023.pdf>

Step 11 Turn in the application and relax

Once you send in the form (after making copies of everything), the IRS will take a while (three to nine months) before they let you know your status. Thankfully, the application is not pass or fail. More than likely if you did not do something right, they will just ask you to send in more information.

Step12 Apply for US postal service discount

If mailings are an important part of your fundraising, you can apply for a discounted rate through the USPS. Check out the website below for more details.

<http://www.usps.com/nonprofits/welcome.htm>

Other Resources

Here is a helpful website for general information on filling out Form 1023:

<http://www.form1023help.com/>

CA Non-Profit Corporation Code:

<http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=corp&codebody=&hits=All>

Frequently Asked Questions regarding California Corporations (non-profit and otherwise):

http://www.ss.ca.gov/business/corp/corp_faq.htm

“Nonprofit kit for Dummies”

I bought this book after I was half way through the process and it helped a little bit. If you are new to the whole process, it would be a good starting point. [Book Website](#)