



## Starting a Nonprofit Video Transcript

**Narrator:** Nonprofit Association of Washington presents: Starting a Nonprofit

Are you thinking about starting a nonprofit? Nonprofit Association of Washington is here to support your journey. Starting a nonprofit takes a lot of work and can be a complicated process. This video provides some basic educational information that can help you decide if starting a new nonprofit is right for you.

Let's start at the beginning: what is a nonprofit?

A nonprofit is a type of corporation that is created to accomplish a public benefit. There are a few major differences between a nonprofit and a for-profit organization:

- A nonprofit organization belongs to the community and does not have an owner.
- A nonprofit does not share out profits. Any money left over at the end of the year goes back into furthering the mission of the organization.
- Lastly, most nonprofits have volunteers. A for-profit does not have volunteers.

### **Forming a Nonprofit:**

To start a new nonprofit, you will need to register your organization with several government entities.

You will need to form a nonprofit corporation with the Washington Office of the Secretary of State, Corporations and Charities Division. This process is called "incorporation." Once your organization legally becomes a corporation, it must act like a corporation.

You may also need to register as a charitable organization. This applies if you:

- ask members of the general public to give to your organization and raise at least \$50,000 annually in Washington, or
- if you pay anyone to do the work of the organization.

Every year, nonprofit corporations must complete an annual report, and charitable organizations must complete an annual renewal. Be sure to verify which type of organization you are. Remember, you may qualify as both!

You may also need to apply for a Master Business License from the Washington Department of Revenue if you hire employees, have a trade name, or conduct certain kinds of business.

If your organization plans to raise money from individuals, foundations, government, or corporations, you may consider applying for tax-exempt status under the Internal Revenue Code Section 501(c)(3). This is an optional item, which your organization may decide is not needed. Being tax-exempt means the organization does not have to pay federal corporate income tax on revenue, and contributions given to your nonprofit may be tax-deductible to the donor. If you apply for this exemption, you must file an annual report (the IRS Form 990).

To start a new nonprofit, you will also need to form a board. A board is the governing body for a nonprofit and will help keep the organization compliant and accountable to the community. They will also act as advocates and ambassadors for your nonprofit.

### **People:**

Community and people matter when starting a nonprofit. The organization's board, volunteers, and community are instrumental in a nonprofit's success.

Developing strong relationships with key community members is critical to the success of any nonprofit. Consider groups who care most about your nonprofit's mission, such as:

- the people you serve
- other nonprofits that may do similar work
- potential donors
- foundations and funders, including government entities
- elected officials
- and many others.

### **Planning:**

Planning is essential as your nonprofit moves forward. From defining your mission to developing a work plan, keep thinking about the organization's future and documenting the plans. Your planning may include an organizing plan, business plan, budget, and fundraising plan.

It is important to build strong practices from the start. Nonprofits often transition from “start-up mode” to being operational faster than expected. Activities that support the effective running of your nonprofit will include:

- creating a filing system
- opening a bank account
- adopting key policies
- buying insurance
- and setting up HR and payroll systems if you are hiring employees.

Your organization may benefit from additional resources, such as advice from finance, legal, or human resource experts. Overall, these activities will produce policies, practices, and systems that will serve the organization for years to come.

**More resources:**

Moving from an idea to an organization requires resources, and Nonprofit Association of Washington is here to support you. The Starting a Nonprofit Guide includes helpful compliance information, checklists, templates, and worksheets. You can find this guide and more resources for your organization in Nonprofit Association of Washington’s Learning Library.

For more information go to [nonprofitwa.org/learn](http://nonprofitwa.org/learn). This video is brought to you by Nonprofit Association of Washington, with support from the Washington Office of the Secretary of State, Corporations and Charities Division.