Best Practice Guidance – Formation of a Nonprofit

Early Childhood Iowa Areas considering a non-profit status, of which 501(c)3 is most common, should first review the information on the Iowa Secretary of State’s website to determine which option best suits their situation. Formation of a non-profit, at a minimum, is achieved by:

- Filing articles of incorporation - drafting articles of incorporation and filing them with the Iowa Secretary of State to create a nonprofit. Articles of incorporation for a nonprofit corporation (IA Code, 504.202) must set forth the following:
  o The corporate name satisfies the requirements of IA Code, section 504.401.
  o The address of the corporation’s initial registered office and the name of its initial registered agent at that office.
  o The name and address of each incorporator.
  o Whether the corporation will have members.
  o Provisions not inconsistent with law regarding the distribution of assets on dissolution.
  o An incorporator must sign the articles of incorporation.
  o The filing fee pursuant to Iowa Code section 504.113.

- Receiving a certificate of acknowledgement - upon filing the articles of incorporation with the Secretary of State, a certificate of acknowledgement will be issued to the nonprofit corporation.

- Holding an organizational meeting - after issuance of the certificate of acknowledgement, an organizational meeting is held by the board of directors to: adopt bylaws, elect officers, and discuss other business.

- Adopting bylaws - Iowa law requires the initial bylaws of a nonprofit corporation to be adopted by its board of directors and approved by the Iowa Secretary of State Office.

Additional Considerations for ECIA Boards

While there are many reasons to become a non-profit entity, it is not a one-step course of action, but rather an ongoing process. An ECIA board which is considering a non-profit status should carefully consider the following:

- The reason(s) the board is interested in acquiring the non-profit status. Desired goals and/or benefits may include:
  o Employer of record
  o Fiscal agent
  o Seeking grants
  o Fundraising
Evolution as an organization

- The individual community environment and needs.
- The costs associated with a non-profit board which might include:
  - Staff time to become and maintain the status
  - Staff capacity to pursue, manage, and monitor grants sought and received
  - Changes to the board’s insurance policy
- The engagement of an attorney. In addition to on-going general legal counsel, other assistance may include:
  - Development/review of the initial documents required by the Iowa Secretary of State
  - Annual tax assistance to prepare and file forms
  - Review of insurance needs
- An ECI area remains a quasi-governmental entity established by Iowa law even if a non-profit status is obtained. Additional items to meet non-profit status are found on the Iowa Secretary of State’s website.
- For a non-profit entity, bylaws are usually written by legal counsel. The bylaws of ECI Area Boards:
  - Will include sections in addition to the ECI guidance (Tool X)
  - Must not conflict with Iowa Code, Chapter 256I
- Obtaining tax-exempt status is a separate process.
  - Coordinated through the IRS
  - Annual tax return (Form 990) required of all tax exempt non-profits
- The heightened level of accountability.

**Additional Resources**

*Larned A. Waterman Iowa Nonprofit Resource Center*, [https://inrc.law.uiowa.edu/](https://inrc.law.uiowa.edu/). The Center strongly encourages non-profits to undergo best practices training. Through participation, the non-profit is listed on the Iowa Register of Accountability. This register is a voluntary listing of non-profits that have committed themselves to continuous improvement.

*Iowa Secretary of State*, [https://sos.iowa.gov/nonprofits/forming.html](https://sos.iowa.gov/nonprofits/forming.html). Additional information regarding becoming a non-profit, as well as best practice and technical assistance are available on this web site.

*Non-profit ECI Area Boards.* There are a few ECI Areas that have gone through the process to receive non-profit status. They can provide valuable information regarding lessons learned. The ECI Office can assist with contact information, Shanell.wagler@iowa.gov.