

# Nonprofit Management & Governance — Workbook

This workbook turns the course into action. Each section maps to a course module and walks you through forming your organization, building your board, budgeting around your mission, and standing up a compliance calendar. Work through the exercises in order, fill the worksheets with your own numbers and names, and use the templates to create the documents your nonprofit actually needs.

## Forming the Organization and Securing 501(c)(3) Status

Decide on your structure, draft compliant founding documents, and prepare your IRS exemption application.

### Exercise: Pressure-Test the Nonprofit Decision

Before incorporating, prove the nonprofit form is right for your work. Answer each prompt in writing and have a co-founder challenge your answers.

- State your charitable purpose in one sentence and identify which 501(c)(3) category it falls under (charitable, educational, religious, scientific, or literary).  
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- Who funds this work, and can you realistically pass the public support test (at least one-third of support from the general public)?  
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- Is anyone expecting to distribute or take home profit? If yes, explain why a nonprofit is still appropriate or choose a different structure.  
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- Would fiscal sponsorship under an existing 501(c)(3) at a 5 to 10 percent fee let you start faster without your own exemption?  
\_\_\_\_\_

### Worksheet: Articles of Incorporation Readiness Worksheet

Gather every element your state and the IRS require in the articles before you file. Fill each field; leave none blank.

Proposed corporate name (and confirmation it is available in your state)  
\_\_\_\_\_

State of incorporation and filing fee  
\_\_\_\_\_

Exempt-purpose clause text (limited to 501(c)(3) purposes)  
\_\_\_\_\_

Dissolution clause text (assets pass to another 501(c)(3) or government)  
\_\_\_\_\_

Registered agent name and physical in-state address  
\_\_\_\_\_

Initial directors (names; minimum often three)  
\_\_\_\_\_  
\_\_\_\_\_

Fiscal year-end date

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### Checklist: Path to 501(c)(3) Recognition

- File articles of incorporation with the secretary of state
- Obtain a free EIN from the IRS via Form SS-4 or the online portal
- Hold an organizational meeting and adopt bylaws, elect officers, and approve a banking resolution
- Confirm whether you qualify for Form 1023-EZ (receipts 50,000 dollars or less, assets 250,000 dollars or less) or must file the full Form 1023
- Draft the activity narrative and a three-to-four-year projected budget
- Adopt a conflict-of-interest policy based on the Form 1023 sample
- File electronically at Pay.gov within 27 months of incorporation for retroactive coverage

## Building and Running an Effective Board

Recruit for the skills you lack, define fiduciary expectations, and run meetings that produce real decisions.

### Worksheet: Board Skills Matrix

List each current and prospective director, then mark the skills, networks, and representation they bring. Empty columns reveal exactly whom to recruit next.

Director or prospect name

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Finance or accounting expertise (yes/no)

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Legal expertise (yes/no)

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Fundraising or development network (yes/no)

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Programmatic or subject-matter expertise (yes/no)

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Community or constituency representation (yes/no)

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Term start date and term end date

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### Exercise: Draft Your One-Page Board Agreement

Write the expectations every director accepts before joining. Keep it to one page and have a current director review it for realism.

- Time: how many meetings per year, which committees, and what preparation is expected?
  - Treasure: what is the give-or-get expectation, and how will you communicate the 100 percent board-giving goal?
  - Duties: restate the duties of care, loyalty, and obedience in plain language.
  - Terms: state the term length and limit (for example two consecutive three-year terms).
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## Exercise: Redesign Your Meeting Agenda

Convert a recent or hypothetical board meeting into a consent-agenda format that reserves time for genuine decisions.

- List the routine items (prior minutes, standard reports, small approvals) to bundle onto the consent agenda.

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- Identify the two or three decisions that genuinely need board judgment this meeting.

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- Specify what goes in the board packet and how many days ahead it will be sent (aim for 3 to 7).

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- Define how minutes will record motions, vote tallies, and any conflict recusals.

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## Checklist: Board Health and Governance Check

- Board size is 5 to 9 members appropriate to the workload
- Standing committees exist for finance, governance/nominating, and fundraising
- Term limits are in the bylaws and being enforced
- Every director has signed a board agreement and a conflict-of-interest disclosure
- Directors-and-officers insurance is in force
- An annual board self-assessment is scheduled
- Minutes are kept for every meeting and stored as permanent records

## Mission-Aligned Budgeting and Financial Stewardship

Build a program-based budget, read your financials, and put basic fraud controls in place.

### Worksheet: Program-Based Budget Builder

For each program, capture its direct revenue and cost, then layer in shared costs and check your reliance on any single funder.

Program name

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Projected program revenue (earned + restricted grants)

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Projected direct program expense

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Allocated share of management and general expense

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Allocated share of fundraising expense

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Largest single funder as a percentage of total revenue (target under 25 to 30 percent)

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Operating reserve target (3 to 6 months of expenses)

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### Exercise: Calculate Your Key Financial Ratios

Using your most recent financials or budget, compute each ratio and write down what it tells you about the organization.

- Program expense ratio: program expense divided by total expense. Is it at or above the 65 percent many funders expect?

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- Months of cash on hand: unrestricted cash divided by average monthly expenses. How far from the 3-to-6-month benchmark?

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- Current ratio: current assets divided by current liabilities. Is it above 1.0?
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- Budget variance: which lines differ from budget by more than 10 percent, and why?
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### Checklist: Internal Controls for a Small Nonprofit

- Different people receive, record, deposit, and reconcile funds (segregation of duties)
- Disbursements over a set threshold require dual signatures or approval
- The treasurer or a director reviews bank statements and reconciliations monthly, independent of staff
- Written financial policies cover spending authority, reimbursements, and credit-card use
- Online banking, payroll, and donor-payment access is restricted and reviewed
- You know your state's audit threshold and your major funders' audit requirements

## Compliance, Policies, and Staying Legal Year After Year

Stand up a filing calendar, register with your state, and adopt the policies that protect your exemption.

### Worksheet: Annual Compliance Calendar Worksheet

Record every recurring federal and state obligation with its due date and owner so nothing is missed. Form 990 variant required (990-N, 990-EZ, 990, or 990-PF) and due date (15th day of 5th month after year-end)

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State charitable solicitation registration and annual renewal date

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State corporate annual report / statement of information due date

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State tax exemption renewal (income, sales, property) if applicable

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Registered agent renewal date

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Responsible owner for each filing

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Extension plan (Form 8868) if needed

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### Exercise: Audit Your Governance Policies and Bright Lines

Confirm you have the policies Form 990 asks about and that you understand the limits that can cost you exemption.

- Which of the four core policies do you already have: conflict of interest, whistleblower, document retention, gift acceptance?

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- How do you ensure zero political campaign intervention (no endorsing or opposing candidates)?

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- If you plan to lobby, will you file Form 5768 to elect the 501(h) expenditure test for bright-line limits?

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- How do you set executive compensation using comparable data to build the rebuttable presumption of reasonableness?

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## Checklist: Protect Your Tax-Exempt Status

- File a 990-series return every year (even the 990-N e-postcard) to avoid automatic revocation after three missed years
- Have the board review the Form 990 before filing
- Register for charitable solicitation in your home state and states where you actively fundraise
- Keep the corporate entity in good standing with annual state reports
- Adopt conflict-of-interest, whistleblower, document-retention, and gift-acceptance policies by board resolution
- Collect annual conflict-of-interest disclosures from all directors and officers
- Document executive compensation decisions with comparable data in the minutes

## Your Action Plan

1. Confirm the nonprofit form fits, then reserve your corporate name and file articles of incorporation with the exempt-purpose and dissolution clauses.
2. Obtain your EIN and hold an organizational meeting to adopt bylaws, elect officers, and approve a conflict-of-interest policy.
3. Determine whether you qualify for Form 1023-EZ or must file the full Form 1023, then prepare the narrative and projected budget and file at Pay.gov.
4. Build a board skills matrix, recruit to fill the gaps, and have each director sign a board agreement and conflict disclosure.
5. Adopt a meeting rhythm with board packets and a consent agenda, and keep minutes that record motions, votes, and recusals.
6. Construct a program-based annual budget, set a single-funder cap under 30 percent, and define a 3-to-6-month reserve target.
7. Put segregation-of-duties controls in place and arrange independent monthly bank reconciliation by the treasurer.
8. Build an annual compliance calendar covering the correct Form 990 variant, state charitable registration, and corporate renewals.
9. Register for charitable solicitation in your home state and any states where you actively fundraise.
10. Adopt whistleblower, document-retention, and gift-acceptance policies, and if you will lobby, file Form 5768 for the 501(h) election.









