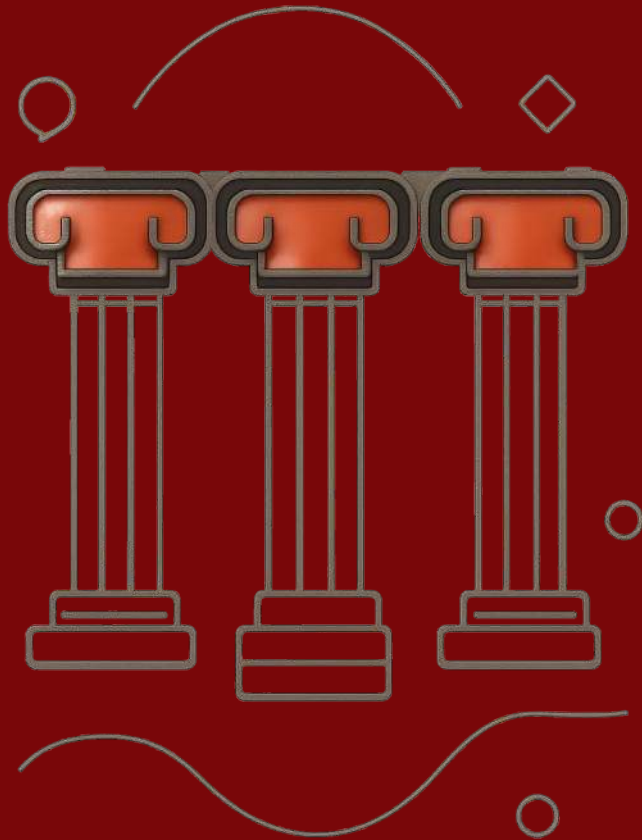




Build It Right: Legal Setup, Structure & Compliance for Founders

Set up your business, nonprofit, ministry, or mission-driven organization with the right foundation.

THE STRATEGY COUNSEL

FUNDABLE • VISIBLE • COMPLIANT

- ❏ This webinar is for general educational purposes only and is not legal advice. State-specific issues should be reviewed with a licensed attorney in the appropriate jurisdiction.



Welcome — Why Setup Matters

Most founders launch with a great idea — and very little legal infrastructure. The excitement of starting something new can overshadow the unsexy but essential work of building a proper legal foundation. That gap is costly.

The Problem

Thousands of organizations operate under the wrong structure, without governing documents, or without proper registrations — leaving founders personally exposed and organizations legally vulnerable.

The Opportunity

When you build it right from day one, you attract funding, open the right bank accounts, protect your personal assets, and operate with the credibility your mission deserves. Legal setup is not overhead — it is strategy.

What Happens When Founders Skip Legal Structure

Skipping the legal groundwork is one of the most common and expensive mistakes founders make. The consequences often don't surface until it's too late to fix them cleanly.

Personal Liability

Without the right entity, founders can be held personally responsible for debts, contracts, and legal claims — putting personal assets at risk.

Funding Denials

Grants, investors, and institutional funders require proof of legal standing. No entity, no EIN, no IRS determination — no funding.

IRS & State Issues

Operating without proper tax status or registration can trigger penalties, back taxes, and audits that consume time, money, and credibility.

Governance Disputes

Without operating agreements or bylaws, internal disputes over control, money, and direction become impossible to resolve cleanly.

Legal Setup Is Not Just Paperwork

It Is Infrastructure

A legal structure is the operating system of your organization. It determines how you are taxed, who controls decisions, how money flows, what protections exist, and how you appear to the outside world — funders, partners, government agencies, and the public.

Think of it as the foundation of a building. You don't see it once the structure is up, but everything depends on it being solid.

What Legal Setup Enables

- Open a legitimate business bank account
- Apply for grants and tax-exempt status
- Execute contracts in the organization's name
- Protect founders from personal liability
- Demonstrate credibility to funders and partners
- Establish clear authority and governance

 **The right structure protects the vision.** Everything you build — your programs, your brand, your impact — depends on the legal foundation underneath it.

Choosing the Right Entity Type

The entity type you choose determines your tax treatment, governance requirements, funding eligibility, and personal liability. This decision has long-term consequences — choose intentionally, not by default.



LLC

Flexible, simple, and protective. Best for consultants, coaches, service providers, and small businesses. Taxed as a pass-through by default.



Corporation (C or S)

Best for businesses seeking outside investment or multiple shareholders. C-Corps can raise venture capital; S-Corps offer pass-through taxation.



Nonprofit (501(c)(3))

Charitable purpose required. Eligible for tax-exempt status, grants, and tax-deductible donations. Governed by a board of directors.



Church / Ministry

May operate as a nonprofit, religious organization, or unincorporated association. Each carries distinct IRS treatment and governance implications.

Nonprofit Formation Basics

Forming a nonprofit is a multi-step process governed by both state and federal law. Many founders underestimate the timeline and requirements — proper planning prevents costly delays.

1

Step 1: Incorporate

File Articles of Incorporation with your state. Include required nonprofit language: purpose clause, dissolution clause, and director information.

2

Step 2: Obtain EIN

Apply for an Employer Identification Number from the IRS. Required before opening a bank account or filing tax-exempt application.

3

Step 3: Adopt Bylaws

Draft and adopt bylaws governing board composition, meetings, voting, and officer roles. This is your internal operating constitution.

4

Step 4: Apply for 501(c)(3)

File Form 1023 or 1023-EZ with the IRS. Include your mission, programs, financials, and governance documents. Processing can take 3–12 months.

Business Formation Basics

Whether you're launching a consulting firm, a coaching practice, or a product-based business, the formation steps are consistent — and skipping any one of them leaves you exposed.

1 File with the State

Submit Articles of Organization (LLC) or Articles of Incorporation (Corp) with your Secretary of State. Pay the filing fee and secure your entity name.

2 Get Your EIN

Apply online at [IRS.gov](https://www.irs.gov). Free, instant, and required for banking, hiring, and tax filing. Do not use your Social Security Number in place of an EIN.

3 Draft Your Operating Agreement

Even single-member LLCs need one. This document defines ownership, profit distribution, decision-making authority, and dissolution procedures.

4 Register Locally

Obtain required local business licenses, zoning permits, and any state-level professional licenses applicable to your industry or service.

Pro Tip from Counsel

Your LLC or corporation is only as strong as the documents behind it. A state filing without an operating agreement, a registered agent, and a dedicated bank account is incomplete — and vulnerable.

The entity is the container. The documents are what give it structure, authority, and meaning.

Ministry & Faith-Based Organization Considerations

Ministry leaders operate in one of the most legally nuanced spaces in nonprofit law. Understanding your category is essential to protecting your organization's autonomy and tax status.

Integrated Auxiliaries

Organizations closely affiliated with a church, such as schools or missions arms, may qualify as integrated auxiliaries and be exempt from annual IRS reporting requirements.

Church vs. Religious Org

The IRS applies a 14-factor test to determine whether an organization qualifies as a "church." Not every ministry meets this standard — and the distinction carries significant compliance implications.

Filing Exemptions

Qualifying churches are not required to file Form 990 annually. However, structured ministries and faith-based nonprofits typically must file — and failure to do so can result in automatic revocation of tax-exempt status.

State Registration

Most states require charitable solicitation registration before fundraising, regardless of religious status. Know your state's rules before you launch a giving campaign or appeal to donors.

EIN, Bank Account & Basic Records

Three of the most foundational steps in launching any organization are often handled carelessly or skipped entirely. These are non-negotiable infrastructure elements.



Employer Identification Number (EIN)

Your EIN is the tax ID for your organization — the equivalent of a Social Security Number for your entity. Required for banking, contracts, payroll, and IRS filings. Apply free at [IRS.gov](https://www.irs.gov). Never use a personal SSN in its place.



Dedicated Business Bank Account

Commingling personal and organizational funds is one of the fastest ways to lose liability protection and create accounting chaos. Open a dedicated account in the entity's name — not your own — as soon as formation is complete.



Corporate Records & Minute Book

Maintain a records file (physical or digital) that includes your formation documents, EIN confirmation, bylaws or operating agreement, meeting minutes, and resolutions. This is what auditors, funders, and banks will request.

Operating Documents & Internal Rules

Your governing documents are the internal constitution of your organization. They define authority, protect against disputes, and demonstrate operational legitimacy to every outside party who evaluates you.

For Nonprofits: Bylaws

- Board composition, size, and term limits
- Officer roles and responsibilities
- Voting procedures and quorum requirements
- Meeting frequency and notice requirements
- Conflict of interest policy (IRS best practice)
- Amendment procedures

For LLCs & Corps: Operating Agreement / Shareholder Agreement

- Ownership percentages and capital contributions
- Profit and loss distribution
- Management authority and decision-making thresholds
- Buyout and exit procedures
- Dissolution provisions
- Non-compete and confidentiality provisions

📄 Funders, banks, and legal counsel will ask for these documents. Having them – and having them drafted correctly – signals that your organization is serious, governed, and trustworthy.

Board, Members, Managers & Decision-Makers

Who holds authority in your organization? How are decisions made, documented, and enforced? These questions must be answered in writing — before a dispute arises.

Nonprofit Board of Directors

Holds fiduciary authority over the organization. Responsible for oversight, financial stewardship, and mission alignment. Must meet minimum state requirements for number of directors and independence.

LLC Members vs. Managers

Member-managed LLCs give all owners decision-making authority. Manager-managed LLCs centralize control in designated managers, which may or may not be members. Your operating agreement must specify the structure.

Officers and Authorized Agents

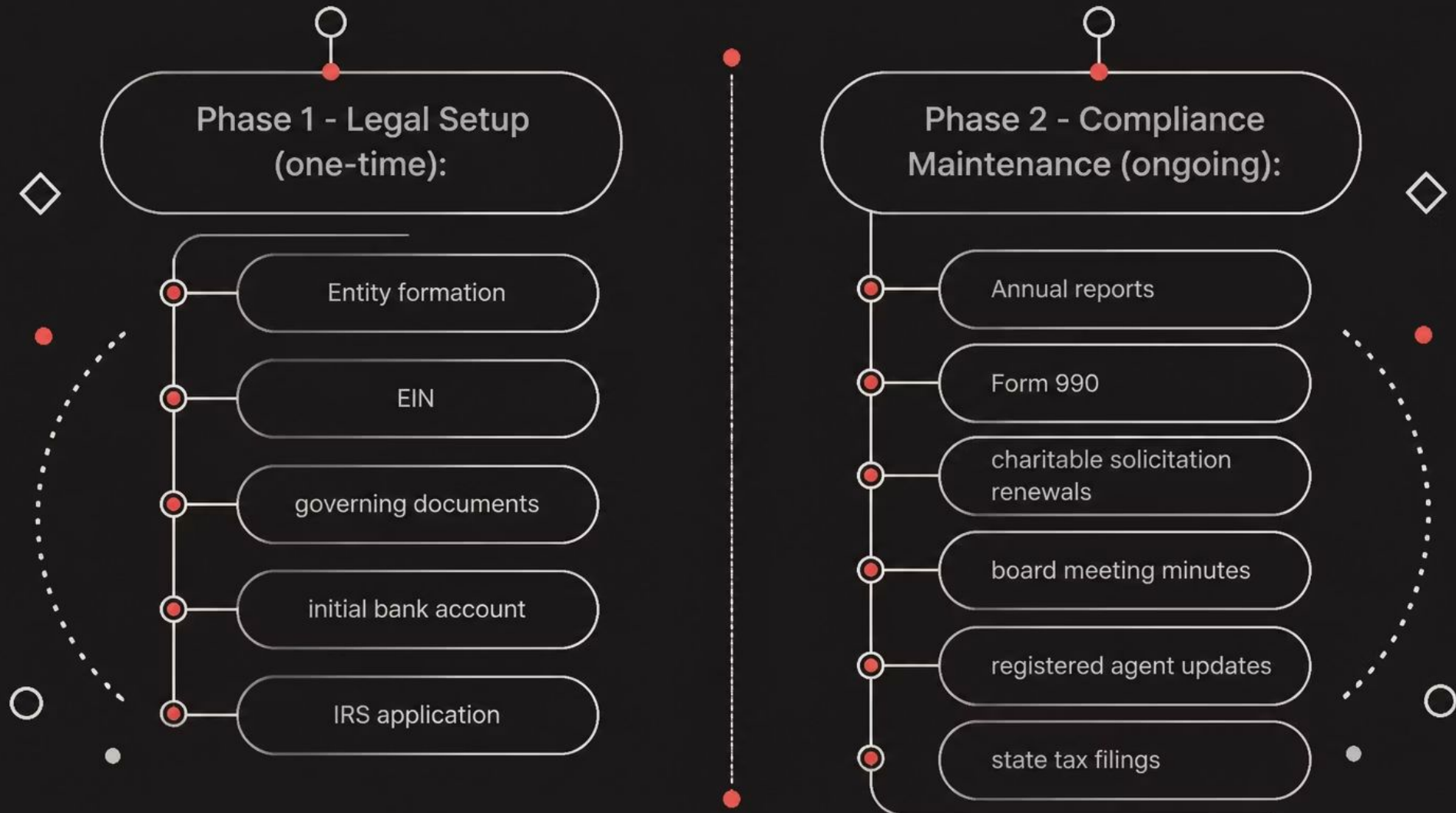
Officers (President, CEO, Secretary, Treasurer) execute decisions made by the board or members. Authorized signatories must be formally designated — banks, vendors, and government agencies will require documented authority.

Documented Resolutions

Major decisions — opening accounts, entering contracts, approving budgets — should be memorialized in written board or member resolutions. These protect the organization and the individuals who act on its behalf.

Legal Setup vs. Compliance Maintenance

Formation is a one-time event. Compliance is ongoing. Many founders invest in the setup and then neglect the annual maintenance that keeps the organization in good standing.



Losing good standing — or having tax-exempt status automatically revoked — is avoidable. It requires only calendar discipline and a basic compliance system. Build that system now, before it becomes a crisis.

What Funders, Banks & Partners May Ask For

Before you pursue a grant, open a business account, or sign a significant contract, know what documentation will be required. Being unprepared delays — or kills — the opportunity.

Grant Funders

Articles of Incorporation, IRS 501(c)(3) determination letter, current bylaws, board roster, most recent Form 990, conflict of interest policy, and organizational budget.



Banks & Financial Institutions

EIN letter, formation documents, operating agreement or bylaws, government-issued ID for authorized signatories, and a board resolution authorizing the account opening.



Partners & Contractors

Proof of entity status, W-9 with EIN, certificate of good standing from the state, and in some cases, proof of insurance or a formal memorandum of understanding.

 A Certificate of Good Standing is issued by your Secretary of State and confirms your entity is active and in compliance. Request one annually and keep it in your records file.

Common Setup Mistakes

These are the errors that attorneys see repeatedly — mistakes that are preventable, expensive to fix, and often discovered at the worst possible moment.

→ Wrong Entity for the Mission

Forming an LLC when a nonprofit is required — or vice versa — forces a costly restructure down the line and can disqualify you from grants, tax-exempt donations, and certain partnerships.

→ No Operating Agreement or Bylaws

State default rules govern your organization if you have no internal documents. Those default rules rarely match what founders actually intend — and create serious vulnerability in disputes.

→ Commingling Personal and Organizational Funds

Using a personal account for organizational transactions pierces the corporate veil and eliminates personal liability protection — negating the entire purpose of forming an entity.

→ Missed Annual Filings

Nonprofits that miss three consecutive Form 990 filings automatically lose their 501(c)(3) status. Reinstatement is possible but expensive and time-consuming.

→ Founder as Sole Director

Some states require a minimum number of unrelated directors. More importantly, a one-person board creates governance risk, lacks checks and balances, and signals immaturity to funders.

What to Have Before You Launch Publicly

Going public — announcing your organization, launching a website, accepting donations, or signing contracts — triggers legal exposure. Make sure these elements are in place first.



Formation Documents Filed

State-approved Articles of Incorporation or Organization on file and confirmed.



EIN Obtained

IRS-issued Employer Identification Number confirmed and on file.



Governing Documents Adopted

Bylaws or operating agreement drafted, adopted, and signed by authorized parties.



Dedicated Bank Account Open

Business or nonprofit account in the entity's name, not the founder's personal account.



Registered Agent Designated

A registered agent with a physical address in your state of formation is named and active.



State Registrations Current

Any required charitable solicitation, professional, or local business registrations are filed and active before public fundraising begins.

Build It Right Checklist

Use this checklist as your legal setup scorecard. Every unchecked item represents a gap that needs to be closed.

Entity & Federal

- ☐ Choose the right entity type for your mission
- ☐ File formation documents with the state
- ☐ Obtain EIN from the IRS
- ☐ Apply for 501(c)(3) status (nonprofits)
- ☐ Designate a registered agent

Governance & Operations

- ☐ Draft and adopt bylaws or operating agreement
- ☐ Identify and seat your board or members
- ☐ Open a dedicated organizational bank account
- ☐ Establish a corporate records file
- ☐ Register for charitable solicitation (if applicable)
- ☐ Obtain a Certificate of Good Standing annually
- ☐ Schedule annual compliance calendar

Formation Readiness Checklist Walkthrough

Let's walk through the Formation Readiness Checklist — a diagnostic tool designed to help you identify exactly where your organization stands and what needs to be addressed before you move forward.



Work through each stage honestly. A gap at Stage 1 must be resolved before Stage 2 — and so on. The checklist is not a formality; it is a diagnostic that protects everything you are building.

Download Included: Formation Readiness Checklist

What's Inside

The Formation Readiness Checklist is a structured, attorney-designed tool that walks you through every foundational legal requirement for launching your organization. Organized by entity type, it covers entity formation, EIN, governing documents, banking, registrations, and compliance milestones.

- Tailored sections for nonprofits, LLCs, corps, and ministries
- Plain-language explanations for every item
- Priority ratings: Critical, Important, Recommended
- Space to record dates, document names, and responsible parties

How to Use It

Download the checklist immediately after this webinar. Work through it with your leadership team or founding board. Flag every incomplete item. Use your completed checklist to prioritize your next 30 days of legal setup work — or bring it to a strategy session with The Strategy Counsel for a guided review.

This is your first step toward building it right.

Download Included: Legal Setup Tracker

The Legal Setup Tracker is a living document — a master record of every legal and compliance action your organization needs to take, has taken, and must revisit on a recurring basis.



Compliance Calendar

Pre-populated with common filing deadlines by entity type — Form 990, annual reports, charitable solicitation renewals, and board meeting requirements — so nothing falls through the cracks.



Document Index

A running log of every key document — where it lives, who holds it, when it was executed, and when it expires or requires renewal. Your organizational paper trail, organized.



Action & Alert Log

Track open items, assign responsibility, and flag upcoming deadlines. Built for founders who are managing legal compliance alongside everything else — without a full-time legal team.

Book a Formation or Compliance Strategy Session

You've learned the framework. Now it's time to apply it — with expert guidance tailored to your specific organization, state, and mission.

What Happens in a Strategy Session

- Review your current legal status and identify gaps
- Get clear on the right entity for your mission
- Receive a prioritized legal setup action plan
- Discuss state-specific requirements and timelines
- Walk away with clarity, direction, and next steps

Who This Is For

This session is designed for nonprofit founders, business owners, ministry leaders, coaches, consultants, and mission-driven founders who are ready to stop operating in legal gray areas and build something that is **fundable, visible, and compliant**.

Whether you are starting from scratch or cleaning up an existing structure, we meet you where you are.

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