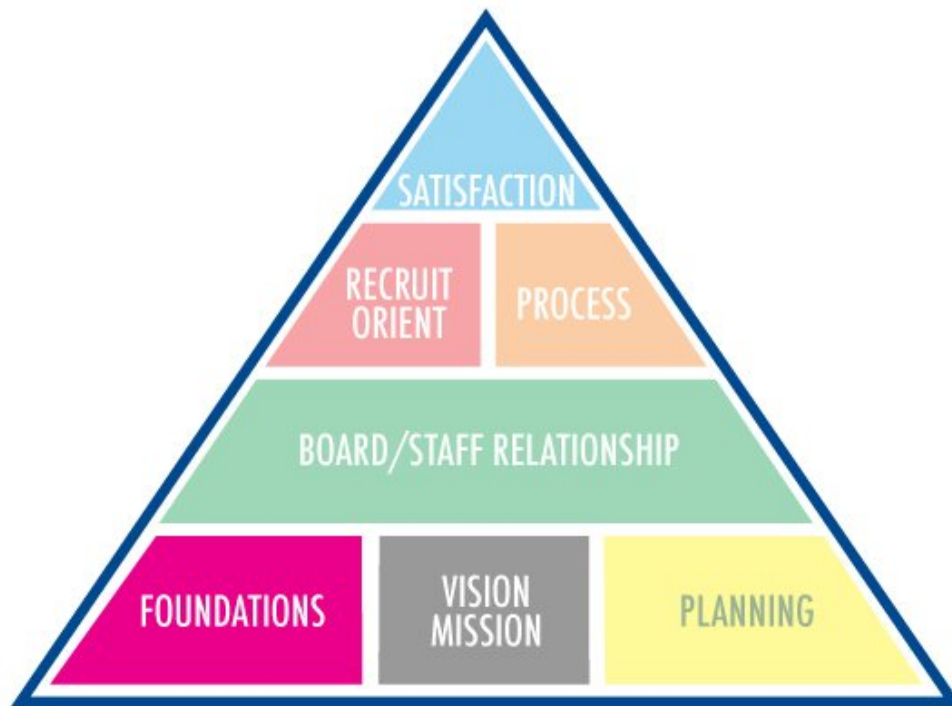


STARTING A NONPROFIT ORGANIZATION



From Alyson Ball, BoardWorks, LLC

www.BoardsThatExcel.com

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Welcome -

Starting a nonprofit organization may be one of the most rewarding (and most difficult) projects you will ever undertake. This Best Practice has been developed from the many requests I've had to help new nonprofit organizations get started. I've witnessed many start-ups throughout the years – and it seems that there are a few pitfalls that you want to avoid. Here are the top three:

1. Thinking “If I build it, the money will come.”
2. Trying to do it all yourself rather than inspiring others to help you.
3. Not thinking far enough in the future about where you need to go.

So this Best Practice really is all about seeing the new organization in a holistic manner. It's about trying to keep your long term goals in mind WHILE you are running as fast as you can to build the foundation and start the organization.

As you read these suggestions and try out some of these ideas, I'd love to hear how they worked for you. Where did you encounter problems as you started your nonprofit organization? What advice can you give others who are also starting nonprofits? What other topics should I be sure to include in my next update?

Please tell me your story at bestpractices@BoardsThatExcel.com.

Remember, the BoardWorks Monthly eNewsletter (at no cost to you) will provide you with more suggestions and ideas for improving your board. Sign up now at www.BoardsThatExcel.com.

Sincerely,

Alyson Ball

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THE GERM OF AN IDEA

1. It all starts here. You have a passion for a cause or for people with a specific problem, and you've decided that you will create a new organization to focus on this problem, address this need, or add value to your community in a specific way.
2. You are convinced that you have the courage to ask people for money so that you can raise the funds you need to make it work.
3. Here are a few things you should do immediately:
 - a. Think about what you'll be doing every day (inspiring others)
 - b. Decide if you like to raise money (most people don't – you MUST)
 - c. Think about your past experiences and the extent to which you've had to inspire others to follow your lead. Have you enjoyed that?
 - d. Think about the experts that you will need on your team to make this organization a reality.
4. Write down your vision statement. What's the big dream? How will the world be different when you were 100% successful?
5. Write down your mission statement. What are you going to do, for whom, where?
6. Meet with similar nonprofits to find out how they operate and how your new services might support or be coordinated with their efforts.
7. Read about national organizations that are similar to yours. Meet with them if you can. Learn as much about their operations as you can.
8. Learn about grant-making foundations – local, regional, and national - and which ones might support the work that you expect to accomplish.

SUPPORT (PEOPLE)

1. Make a list of all of the people who have agreed to help you with your new organization. These are your start-up volunteers and potential board members.
2. Make a list of all of the necessary skills that are vital to your organization. This could include subject-matter experts, accountants, lawyers, computer specialists, database managers, administrative support, and strategic thinkers.
3. On your volunteer list, note each volunteer's skills – and see which skills are missing from the list of necessary skills.
4. Estimate the amount of money that they would realistically be willing to donate to your cause on an annual basis.
5. When you consider candidates for your board of directors, be sure that you are selecting people who agree with your mission and want to help you accomplish it. Never ask people to be on your board who are not in agreement with your mission – regardless of how much money they are willing to contribute to the cause.
6. Make a list of the other, similar nonprofit organizations in your area. Ask their Executive Directors and/or board members if they would meet you for coffee once a quarter to give you advice about where you are and where you're headed.

SUPPORT (ORGANIZATIONS)

1. Contact the National Council of Nonprofits (www.councilofnonprofits.org) and find your state-specific nonprofit support organization. Find out what they can do for you.
2. Locate local nonprofit support groups in your area. Learn how they can help you.
3. Talk to your local Chamber of Commerce and ask how they support new and on-going nonprofits.
4. Contact near-by universities and community colleges to see if there are any courses that might help you get started or learn how to raise money.
5. Contact any local community foundations or other foundations in your area and inquire about resources and support for your cause and funding for your start-up.

LEGAL FOUNDATIONS

BACKGROUND: Nonprofit status is granted by the federal government after you have been incorporated by your home state. All nonprofits are nonstock corporations.

1. Write your Articles of Incorporation in accordance with the regulations in your state. To find the proper regulatory authorities in your state, go to www.irs.gov and search on "state corporation commissions."
2. Submit your Articles of Incorporation to your state-specific commission.
3. Once you've been incorporated in your state, apply to the federal government for nonprofit status using Form 1023 (The Application for Recognition of Exemption). Refer to the IRS Publication 557 (www.irs.gov) for this process and to determine what kind of charitable organization you wish to become. The 501(c)3 is the most common, but there are 28 other categories of nonprofits.
4. Write your by-laws (keep them simple). A good sample of nonprofit by-laws can be found at www.suite101.com and there are many available on the internet.
5. Learn about the regulation that applies to fundraising in your state. You can find your state's regulatory organization for fundraising at this web site: www.nasconet.org.
6. Think about what kind of Code of Ethics and Conflict of Interest guidelines your organization should have.

NOTE: A good place to start looking for sample Conflict of Interest and Code of Ethics statements are these: www.idealists.org, www.cof.org, and www.ncna.org) The Internal Revenue Service (at www.irs.gov) also has a good sample Conflict of Interest Statement that is very helpful.

OPERATIONS

1. Describe (in writing and as thoroughly as possible) the community needs you will be servicing. Provide as much quantitative information (such as population, # clients/members, ages, incomes, etc) and trends (such as decreases or increases in population or incomes over time) as possible. Include the geographic scope of your organization.
2. On one page, write down what you imagine the organization will look like in five years. These are estimates only. This document will be revised annually as you gain experience and become more realistic in your expectations. Include these topics:
 - a. Services offered (with a brief description of each)
 - b. # clients/members/attendees
 - c. # employees (including titles and salaries) and # volunteers
 - d. A description of your workspace (office requirements)
 - e. Estimated annual expenses in the 5th year
 - f. Sources of funds (where will you be getting your money?)
3. Now make a list of all of the activities that need to get done this year to launch the organization.
4. Match the volunteers who've agreed to help you launch your nonprofit to the list of activities that need to get done.
5. Start assigning these tasks to your volunteers. For each activity, agree on when (the deadline) and what (the deliverable or outcome). Agree on a date and time for the next check-in with each volunteer.

FUNDRAISING

1. Learn about the fundraising regulation in your state by going to this web site: www.nasconet.org and finding out which state-specific organization regulates fundraising in your state. Follow the directions (which may include filing paperwork annually).
2. Remember that in order to maintain your nonprofit status with the federal government, a charitable organization must raise 1/3 or more of its funds from the general public (individual donors).
3. Learn about each of these categories of fundraising and decide how you are going to incorporate each of these Sources of Funds into your fundraising plan:
 - a. Individual Donors
 - b. Major Donors (large individual donors)
 - c. Grant Applications
 - d. Local Organizations (churches, civic clubs, school groups)
 - e. Corporate Donors
 - f. Fundraising Events
4. Talk to everyone on your list of volunteers and potential board members and ask them to be an advocate for the organization. Find some who are willing to work with you to raise funds.
5. Ideally, look for people with expertise and interest in each of the Sources of Funds listed in #3, above. The more people you can engage in fundraising from the start, the better off you'll be.

FINANCIAL PLANNING

1. Look through your list of volunteers. Ideally someone on that list will be a CPA, an accountant or a bookkeeper. Ask them to help you set up the books for the organization.
2. If you are not already versed in accounting, take a course or read a book that explains the basics of accounting and reporting for a nonprofit organization.
3. Work directly with your accounting volunteer to set up (a) the books for the organization (b) the process and accounting system you will use to keep track of the expenses and (c) the process and accounting system you will use to keep track of your funds as they are raised and spent.
4. When you think about potential board members, it's essential that you select someone who can serve as the board's Treasurer. Check with your state's regulations because there may be a minimum number of people on your finance committee. The finance committee is essential to your success. They provide financial oversight and support to your organization – and will help you estimate the funds you'll need in the future to manage and grow your organization as you've envisioned it.

ADMINISTRATIVE

1. Recruit a volunteer who has agreed to be the focal point of the administrative activities that are listed below.
2. Work with this person to establish a centralized information data base (electronic as well as physical) that can easily be accessed by you and all volunteers and board members. Your database should include the following:
 - a. Legal Foundations (Articles of Incorporation, By-laws, Conflict of Interest Statement, Code of Ethics)
 - b. Vision and Mission Statements
 - c. Volunteer Management (contact information for all volunteers, volunteer job descriptions, and a system for keeping track of all volunteer time and achievements)
 - d. Launch Activities (for the first year) and who has been assigned what.
 - e. Fifth-year plan (which was outlined in the Operations section, page 7)
 - f. Financial data (budgets and reports)
 - g. Minutes of all meetings
 - h. All Fundraising Activities
 - i. All Event plans
 - j. The Marketing Plan
 - k. All Donor Appeal Letters
 - l. All correspondence for the organization

MARKETING

NOTE: the marketing plan does two things: (a) builds awareness of your brand (image) in the mind of the general public, and (b) creates pride for those who are already contributing in some way to the organization.

1. Decide which of your volunteers can help you with your marketing plans and activities.
2. Determine the key message that you want to communicate.
3. Develop an overall marketing plan that includes: (a) key messages, (b) target market (geography, demographics) (c) media (newspaper, radio, TV, direct mail, face-to-face presentations), (d) calendar, and (e) measureable results.
4. External Communications - Create simple flyers, talking points, and presentations that all volunteer and potential board members can use to spread the word about your organization.
5. Internal Communication - Keep all of your volunteers informed of progress and good news. Email on a bi-weekly or monthly basis is a good way to keep everyone informed of your progress and quickly share successes with all volunteer and board members.

THE ROLE OF THE FOUNDER

The Golden Rule of the Nonprofit Founder: While you and others may be the initial founders for this organization, your long-term success will depend on your ability to inspire others with your vision and engage them in your mission.

1. The sooner you can engage others in your organization, the better.
2. The more specifically you can articulate what you're trying to achieve and where you're headed, the better.
3. Just because you are the founder does not mean that you will be deciding everything. If you try to "own" the organization and all of its decisions, you may alienate others and could discourage them from being a part of your team. Be an inclusive leader.
4. Learning how to delegate work to others is a specific skill that you will need to develop if you want to be successful. A successful leader is a good delegator and a good communicator and brings people into the decision-making whenever possible.
5. Decide early whether you will become the Executive Director (to be a paid employee), you will hire an Executive Director and become a member of the board, or you will be phasing yourself out of the organization all together.
6. Understand that in the common evolution of organizations, the skill set needed to start an organization may not be the skills required to lead and manage a board and/or staff. A smart founder will recognize that the organization would be better off drawing on a multitude of talents and the motivation provided by different leaders.
7. Post the golden rule (above) in your office. Plan to step aside at some point and let others manage what you have created.