

# *10 Questions You Must Consider Before Starting a Nonprofit*



## Introduction

So, you want to start a nonprofit. Fantastic! That puts you in pretty good company. In any given year, as many as 75,000 applications for 501(c)(3) tax exemption are filed with the IRS. Less than half survive the process, but there is certainly no lack of interest in doing something charitable.

In this tough economy, nonprofit organizations are needed now more than ever. More and more people are finding themselves in difficult circumstances and there is no guarantee that things will improve anytime soon. Despite all the assurances of government, it simply isn't possible for government to keep up with the need. And even if it could, America's charities prove on a daily basis how much more effective and efficient the private sector is.

But what does it really take to start a nonprofit? What are the non-negotiables that simply must be in place in order to get started with any hope for success? What steps are required to make sure the organization you are starting can work in tight economic conditions?

Consider these 10 questions:

### **1. Why Are You Doing This?**

Let's begin where the rubber meets the road. Are you doing this to meet a need that exists in your community? To use the phrase of the day, are you looking to *give back* in some way? Are you looking for a more fulfilled career path? If this is a religious nonprofit, do you feel *called*? It is likely that one of these questions fits your situation...and one is not necessarily better or more right than another. The point is this: If you do not resolutely know the answer to this question, you may not be ready to start a nonprofit.

### **2. What Is Your Mission?**

This may seem self-evident, but our experience says it is not. Your mission is what your organization is all about. What need are you trying to fill? What wrong are you trying to right? What information are you trying to teach? Try to answer this question in 50 words or less. Without a mission, your nonprofit is like a ship without a rudder.

### **3. What Is Your Elevator Speech?**

Your elevator speech is what you would tell someone about your organization if you only had 2 minutes with them in an elevator. This may sound silly, but it is actually fundamental. You need to be able to clearly and concisely articulate what your organization is all about. This is not the same as your purpose or mission statement. Think more organically. Your ability to effectively communicate your message can make a huge difference in attracting the support that your organization will need.

#### **4. What Are You Going to Do?**

You would be amazed at the number of people we speak with who know *why*, but have not figured out *what* (never mind those who know *what*, but not *why*!). It is understandable that you may not have every detail of your program nailed down, but you need to have a pretty good idea of how you intend to pull off your mission. If you are one of those who are driven by the need you see around you, but are stumped on what to do, look at what other organizations are doing to meet similar needs in other places. You don't have to be original, just effective! If you need help getting it on paper, invest in some business plan software to help you flesh out and organize your ideas.

#### **5. Is It Practical?**

Will your idea fly? Is there really a need? Will the IRS consider it within its definition of 501(c)(3) tax exemption. Do you possess the ability to pull it off? Do you have the necessary time to devote to it? Nonprofits require a practical business model just as a for-profit does.

#### **6. Is It Viable?**

This sounds similar to practicality, but it really is different. Can your program survive tough times financially? Are you and your board prepared to beat the bushes, sell your story and be creative in fundraising? Can you stand out from the crowd? The term-of-the-day is *social entrepreneurialism*. Social entrepreneurialism simply means entrepreneurialism geared toward a cause instead of a for-profit motive. You are starting a *social* company...and you must be able to generate more revenue than you spend. It's simple math.

#### **7. Who Is Going To Lead the Nonprofit?**

One of the first things you need to thoughtfully consider is who will be on the Board of Directors. The board is the governing body of the organization. Never look at your board as a necessity of governmental compliance. They should not be placeholders. Your board should be a source of information, energy, wisdom, action and dedication. Aside from directing, the board members need to be involved in fundraising for the organization. Hopefully, board members will bring with them some influence to help raise money for the organization to function. Board members should also be donors to the organizations they lead. Why? You wouldn't want to donate to an organization only to discover that the board members don't financially contribute themselves.

#### **8. Who Is Going To Manage the Nonprofit?**

You may need employees or volunteers (or both) to assist with operating your programs. It is not uncommon for very small nonprofits to have the same people who are governing it (the board) also running the day-to-day operations. As your

organization matures, you should strive to separate these duties.

### ***9. How Much Is This Going To Cost...and How Are You Going To Pay For It?***

OK, you got us...there are two questions here. But follow us on this: Crafting a budget for your organization is a formidable task, one that you cannot avoid. You are actually starting a business here. Sit down with your newly recruited board members, get a pot of coffee brewing, roll up your sleeves and put pencil to paper. Think about what you are doing. Research the costs. You may be lucky enough to find an existing organization with a similar program whose budget you can use as a starting point. Or, you may be working from scratch. Next, you must have a plan for funding your program. Whether you expect your money to come from donations, grants, program fees, or some combination, you need to be deliberate in your planning.

### ***10. Will You Stay in Compliance?***

Just like any business, your program will be accountable to state and federal agencies for compliance with regulations that govern organizations like yours. Whether it is end-of-year IRS Form 990 compliance, payroll issues or the general parameters of 501(c) (3) restrictions, your organization must be dedicated to transparency, consistent controls and methodologies to stay between the lines.

The Foundation Group exists to not only help new organizations get started, but also to assist them with these ongoing compliance issues.

## **About Foundation Group**

The Foundation Group provides complete formation and compliance services to nonprofit organizations all across America...and has done so since 1995.

We have successfully guided over 12,000 nonprofits through the IRS 501(c)(3) process. Simply put: No firm in America has more experience!

From Form 990 preparation to Charitable Solicitations Registration and other services, our team works hard assisting existing nonprofits with staying fully compliant with state and federal regulations. Our clients stay educated through our frequent articles and online newsletter, semi-annual Boot Camp conferences and our newest initiative, 501 (c)(3) University. We will continue to develop both new and updated services to meet the ever-changing needs of the nonprofit community.

### **Our Mission**

*“To provide our clients with the expertise they need so that they can concentrate on what they do best...fulfilling their mission.”*

## **Contact Us**

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