

How to Start a Nonprofit

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Welcome!

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Objectives

- ▶ Share Basic Information about Nonprofits
- ▶ Discuss Why Startup Nonprofits Fail
- ▶ Share 10 Steps to Starting a Nonprofit
- ▶ Four Critical Areas That Must Be Well Developed
- ▶ Get Questions Answered
- ▶ Provide Resources for Future Use



What is a Nonprofit?

- ▶ It is an organization whose primary objective is to support some issue or matter of private interest or public concern (such as the arts, charities, education, politics, religion, research, or some other endeavor) for non-commercial purposes.



True?

or.....

False?



- ▶ Nonprofits are owned by the founder.
 - False.
- ▶ Charitable work can be done through a for-profit.
 - True.
- ▶ All nonprofits are tax exempt.
 - False.
- ▶ Nonprofits can make a profit.
 - True.
- ▶ My board of directors should consist of family.
 - Depends.
- ▶ The only type of nonprofit is 501(c)(3).
 - False



Why do Start Up Nonprofits Fail?

- ▶ **Lack of Research and Planning.** Lack of a business plan is one of the most common mistakes that startup nonprofits make. Many founders of nonprofits forget that a nonprofit is a type of business. Businesses have business plans in hand before launching.
- ▶ **Lack of Financial Planning.** Many nonprofits are built on unrealistic expectations about funding. Many founders do not anticipate what it will cost to start their nonprofit or where they will get funding to support their effort.
- ▶ **Thinking It's Easier to Start a Nonprofit Than It Really Is.** To do it right, it takes work.
- ▶ **Not Building an Effective Board.** Your first board members represent your "circle of influence," and they should be people who have resources, influence, and lots of other contacts. Your board members should believe in your organization's mission and be willing to sell/share that mission to others.
- ▶ **Mission Creep.** Mission creep is the process by which a mission's methods and goals change gradually over time, usually done in order to obtain new funding sources--or "chase money".
- ▶ **Lack of a Viable Program or Business Model.**



Should you Start a Nonprofit?



Ask yourself.....

- ▶ Is there an identified and documented need?
- ▶ Is there an interest?
- ▶ Do you have start up funds?
- ▶ Is this idea sustainable?
- ▶ Are you willing to get help from others?
- ▶ Are you okay not “owning” the nonprofit?
- ▶ Are you comfortable being confined by what can be done with agency profits?
- ▶ Do you have a passion for this work?
- ▶ Are you willing to put in the time and effort to make it successful?



10 Steps to Starting a Nonprofit

1. **Recruit a Board of Advisors.** This diverse team will help you develop your business plan, support your venture and (hopefully) serve as your inaugural board of directors.
2. **Develop Business and Program Models**
3. **Write a Business Plan**
4. **Submit State Incorporation Paperwork (contact Sec. of State's Office) and Articles of Incorporation.** Articles of Incorporation are official organization statements filed with the state agency.
5. **Draft bylaws.** Bylaws are the "rules" of how the organization operates. Bylaws are not required to file for 501(c)(3) status however they are a must for agency governance.
6. **Get Business Ready** Get an EIN from the IRS and open a bank account



10 Steps to Starting a Nonprofit (con't)

7. **Interview potential Board members**
8. **Develop record-keeping systems.** Legally, you must save all Board documents including minutes and financial statements. Nonprofits are also accountable to the public, their funders, and, in some instances, government granting bodies, and it is vital to establish a system of controls (checks and balances) when establishing the organization's accounting practices.
9. **Get Started!** Hold first Board meeting to secure approval of by-laws and establish course of action
10. **Monitor Progress**



File for tax exemption status. This an optional step but highly recommended.



Four Critical Areas that MUST be Developed

- Board of Directors
- Business Plan
- Funding
- Programming



Board of Directors

- ▶ **Why are they needed?**
 - They are required by law.
 - They represent the community
- ▶ **What do they do?**
 - Governance– Oversee, monitor and evaluate agency progress.
 - Leadership– Guide the agency's mission and direction in partnership with the Executive Director.
 - Stewardship– A dedication to the cause and ensuring resources will be used for public good.
 - Fiduciary– A fiduciary is an individual, corporation or association holding assets for another party, often with the legal authority and duty to make decisions regarding financial matters on their behalf.
- ▶ **How many are needed?**
 - According to DE and PA law, the minimum is 1 but I recommend at least three
- ▶ **How do I select them?**
 - Interview process



What is in a Business Plan?

The Business Plan is a statement about your business that follows a distinct format that will be used to evaluate the business you are in and what you choose to do with your business in the future. The use for a "Business Plan" is to demonstrate to outsiders what your business is all about.

1. Title Page
2. Table of contents
3. Executive summary
4. Company Description
5. Market Analysis, Data
6. Services
7. Operations
8. Marketing
9. Board of Directors
10. Management and Personnel
11. **Fundraising Strategy, Funds Required and Expected Use of the Funds**
12. Financial Statements and Projections
13. Appendices/Exhibits





Funding– Start Up Funds

- ▶ Solid budget (like the one in the business plan) that clearly defines expenses
- ▶ Need at least one year (preferably two years) of money to cover expenses
- ▶ Funding Sources
 - Personal contributions
 - Hold events/fundraisers
 - Ask family and friends for support
 - Barter
 - Grants are possible but few and far between



Program Development

- ▶ Good programs:
 - Are people centered and goal driven
 - Have measurable outcomes
 - Value input from all levels
 - Leave people better for having been a participant
 - Engage clients (beneficiary and donors)
 - Are a mix of what people **need** and what they **want**
 - Use creativity!



Seven Simple Strategies for Success

- ▶ Read
- ▶ Engage others
- ▶ Invest
- ▶ Plan
- ▶ Implement
- ▶ Promote
- ▶ Evaluate



Resources

- ▶ IRS:
<http://www.irs.gov/charities/charitable/index.html>
- ▶ DE Registration Form: Non-stock corporation
<http://corp.delaware.gov/incnstk09.pdf>
- ▶ DANA (DE): <http://delawarenonprofit.org/>
- ▶ PANO (PA): <http://www.pano.org/>
- ▶ The Nonprofit Center (NJ):
<http://www.njnonprofits.org/>



Resources (con't)

- ▶ The Nonprofit Center at La Salle University :
<http://www.lasallenonprofitcenter.org/>
- ▶ Chronicle of Philanthropy:
<http://philanthropy.com/section/Home/172>
- ▶ Free Management Library:
<http://www.managementhelp.org/>
- ▶ Board Source: <http://www.boardsource.org/>



Questions?

Don't forget to turn in your survey!

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