

How to Start a Nonprofit



We receive many inquiries every year about how to take a great idea and turn it into a functioning nonprofit organization. Starting a nonprofit takes the time, commitment, research and dedication of a group of individuals passionate about meeting a specific need in the community.

For more information about starting a nonprofit check out these resources:

- [CalNonprofits](#) (including [a webinar on how to start a nonprofit](#))
- [Nolo Press- How to Form a Nonprofit Corporation in California by Anthony Mancuso](#)
- [National Council of Nonprofits](#)
- [California Attorney Generals Guide for Charities](#)
- [IRS](#)

What is a Nonprofit?

Nonprofits are corporations whose purposes benefit the public and which are exempt from income tax under Sections 501(c)(3) or 501(c)(4) of the federal Internal Revenue Code.

What Makes an Organization "Nonprofit"?

- The organization exists for some benefit to the public.
- No person owns shares of the corporation or interests in its property, nonprofits are "owned" by the community.
- The property and any income of the corporation are not distributed to any "owners", but instead are recycled into the corporation's public benefit mission and activities.

Revenue Sources for Nonprofits

- Revenue can be generated from a variety of sources: donations, fundraisers, earned revenue from services and products, grants or borrowed funds. It's important to consider a healthy mix of revenue sources when you're planning to start a new nonprofit.
- Nonprofits in California are regulated by the [Attorney General's](#) office and the [Internal Revenue Services](#).

Reasons Not to Start a Nonprofit

- You have a limited time special project that will benefit your community (this might be a good time to add a [fiscal sponsor](#)).
- You would like to help someone in need (a sick friend or relative). Another options could be to work with a local bank to start an account that people can donate to.
- You think a lot of grant money will be available (only about 10% of grant proposals are ever funded. Most successful nonprofits have diverse sources of revenue.
- You have a service or product you want to provide below cost or donate, but want a tax deduction. Instead, consider volunteering or donating to a tax-exempt organization.
- You feel your current work is not meaningful. Consider working for an existing nonprofit or for-profit with a sense of your mission.

- You have important knowledge and perspectives to share. Consider writing a book, public speaking or joining a nonprofit board instead.
- You want to do things your own way and not be fettered by rules and bureaucratic procedures. Nonprofits are accountable to donors, boards of directors, the IRS, Attorney General and the community at large. There are rules and policies that need to be followed to provide services in nonprofits.

Things to Consider Before Starting a Nonprofit

- Is there an organization already doing similar work in the community?
- What unmet need will be addressed through your work?
- How do you know this is the right way to go about meeting that need?
- See the following pages regarding questions to consider before starting a nonprofit.

From The Balance Small Business

<https://www.thebalancesmb.com/questions-before-starting-nonprofit-2502143>

BY JOANNE FRITZ

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Questions to Ask Before Starting a Nonprofit

If you do decide to start a nonprofit, you will not be alone. The number of U.S. nonprofits has grown at twice the rate of for-profit organizations. There are an estimated [1.6 million nonprofits](#) in the US, and it is quite likely that someone already has your idea. So, before you go ahead, try answering these questions:

Am I cut out for this?

[Starting a nonprofit](#) is very much like starting a business. However, you'll have to find donors and maybe even [investors](#) who are interested in making a difference, rather than a profit. However, nonprofits are expected to be run as well as businesses.

You will need a [business plan](#) plus produce [measurable results](#). You will, just like a business owner, have to put in long hours, probably without pay, until you can get the new enterprise up and going.

Some people who start NPOs have to keep their paying jobs during the startup period, and some organizations are even completely run by [volunteers](#). You will need not only a passion for your cause but a big dose of [entrepreneurial spirit](#).

Do you have the skills to start a nonprofit? Running any organization requires good management and administrative skills, and a nonprofit is no exception.

You might be driven by your passion for a cause, but that will be no substitute for skill and experience. You can augment your own skill set by bringing together supporters who have the knowledge and skills you may lack. Those early supporters could become your [board members](#) or your first employees.

Can you inspire others? You'll need to convince donors to support your endeavor, and motivate staff to work hard under sometimes difficult circumstances.

When the *Chronicle of Philanthropy* asked readers about the qualities that people who work in nonprofits need, the top ones were passion, creativity, persistence, vision, and the ability to collaborate. Do you have these qualities?

Questions to Ask Before Starting a Nonprofit

Do I Have an Original Idea for a New Nonprofit?

With so many nonprofits already in existence, it is likely that there is one, or even a few, that have already claimed your idea.

Do your research and locate other NPOs that are similar to the one you propose. If there are organizations out there that have the same [mission](#) and they do a good job, it is going to be very difficult for you to attract donors, foundation grants, or any other support.

You may be passionate about your cause, but the nonprofit "market" will not bear much redundancy.

Is a New Nonprofit Necessary?

Even though the goal for your new nonprofit is not to make a profit but to change lives, it is also a business. As such, it is important to adopt many business-like procedures.

One of those is conducting a survey or other research before you launch a product or service. In the nonprofit's case, we call this a "needs assessment" to determine if there is a need in your community for the services you propose to offer.

Here are some questions to ask during the needs assessment:

- Is there another nonprofit that is providing or may provide the program or service you are considering?
- Who is your audience? And, what is its demographic profile? Are they low income? Single mothers? Kids with AIDS? Are they senior citizens? Where do they live? How do they get around (public transport etc.)? How many people are there who need your service?
- What are this group's needs and desires? Conduct a survey of a sample group to find out what they are thinking. You may believe they need one thing, but they may need and want something else.

There are many ways to perform a needs assessment. You can gather data about the community and other nonprofit organizations that are working on similar problems.

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You can do an actual survey by phone, mail, or door to door, interview leaders in the community, and use focus groups. Using a [SWOT analysis](#) (Strengths, Weaknesses, Opportunities, and Threats), commonly used in business, can be useful and provides an easy-to-follow format.

The key is to find out if your proposed nonprofit is needed. You would never start a business without determining if there was a market for your product or service. The same goes for a nonprofit.

Will My Organization Fit the Legal Qualifications for a Nonprofit?

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If you are thinking of establishing a nonprofit just because you don't want to pay taxes for your business enterprise, forget it. To qualify as a 501(c)(3) charity, your organization must serve the community.

A [501\(c\)\(3\) nonprofit](#) cannot be operated for anyone's private benefit, support or oppose a political party or candidates for office, or have as its mission the achievement of something that is only possible by passing some kind of legislation.

Examples of acceptable charitable purposes include:

- relieving the poor, distressed or underprivileged
- advancing education or science
- erecting or maintaining public buildings, monuments or works
- lessening the burdens of government
- eliminating prejudice and discrimination
- promoting and developing the arts
- defending human and civil rights that are secured by law

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Do I Have a Clearly Stated Mission?

Your new organization must have a clear and easily understood mission statement. Too often founders of nonprofits have a vague mission such as "help humanity." But a great and truly usable mission statement needs to answer these questions:

- Why? What is the purpose? What change will happen?
- What? What are the services that will be provided?
- Whom? Who will be helped, who will receive the services?
- Who? Who will do the helping, provide the services?
- Where? What will be the geographic service area?
- How? How will the services be delivered? What methods will be used?

Get acquainted with the [mission statements of other nonprofits](#) and the [basics of writing a good nonprofit mission statement](#).

Do I Know People Who Will Support My Idea Financially and With Their Time?

Many founders of nonprofits have only the vaguest idea about how they will [finance](#) their new organization. Startup funds are hard to come by for a nonprofit. You might have to pony up out of your own pocket, and you will certainly need to depend on the largess of individuals who also believe in your cause. Do you know who they are?

Familiarize yourself with [where nonprofits get their income](#) and think hard about where those startup funds will come from before you begin the hard work of starting your nonprofit.

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You'll also need people to serve on your [board of directors](#) and who are willing to [volunteer their time](#). Many nonprofits begin with only volunteers until they can afford some staff. Even when you can pay staff, you'll likely still need volunteers to help deliver your services.

Find people who like your idea and feel committed to it before you even try to start a nonprofit. Solo entrepreneurs can often get a business off the ground on their own. A nonprofit needs a group of people willing to reach into their own pockets and to devote their time to the hard work of getting a good cause started.

Have I Thought About Partnering with an Already Existing Nonprofit?

If you've done your research, you already know there may be other nonprofit organizations that are working on your social issue in your area. Now ask yourself: are none of those groups adequately addressing that issue? Is the need going unmet?

Be honest in this assessment. Don't reject the efforts of others just because they might not be addressing that cause in the same way that you would, or if they are doing it in a slightly different way.

Confront the possibility that it might be better to join forces with another group. Maybe you could serve your cause better by becoming a staff member, a [board member](#), a [volunteer](#), or a donor to another organization. You could even bring your proposed project to the attention of that group to see if yours can be incorporated into its activities.

You could even establish a [for-profit enterprise that serves a social good](#).

If you do decide that you have to start your own nonprofit, are you sure that you can make a compelling case to grant makers and donors to fund your organization and divert funding away from existing organizations servicing the same or similar purposes?

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Questions to Ask Before Starting a Nonprofit

If you have done your research and are convinced that your idea needs to find its life in a new nonprofit, go ahead.

But, make sure you are prepared for the tough road ahead, have the energy for the first steps, and the passion for getting you over the hard spots.

Resources:

Research existing nonprofits at guidestar.org.

Find organizations that provide funds for NPOs at foundationcenter.org.