

# Starting a Nonprofit Organization



2013 Edition

## ABOUT 501 COMMONS

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501 Commons is a nonprofit organization that provides consulting, facilitation, and management support services to other nonprofits / community organizations, schools, and government offices in Washington State.

We offer services, programs, and resources in each of the five Elements of a Healthy Nonprofit:

- Governance and Boards
- Management and Culture
- Planning and Administration
- Communications and Relationships
- Fundraising and Financial Management

Services are provided by staff consultants and our network of 450+ Service Corps members – skilled professionals who volunteer their time and expertise. Some Service Corps members have experience as senior managers or executives in the business sector, and most have worked in the nonprofit sector as professional consultants, executive directors, program managers, or board leaders.

To learn more about 501 Commons and our work, visit us online at [www.501commons.org](http://www.501commons.org).

*501 Commons does not endorse any product, service, or other resource listed or linked to in this guide, and we encourages potential nonprofits or organizers to contact a lawyer familiar with nonprofit law.*

*We wish you the best of luck in forming a nonprofit, should you choose to that route.*

## PREFACE

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“GENEROSITY WITH WISDOM IS LIKE TWO WHEELS OF A CART.”

JAPANESE PROVERB

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Many people consider forming a nonprofit because they see a problem that they believe they could address. Or they have an idea about a product or a service that would benefit people or the community. In this way, starting a nonprofit organization is just like starting a for-profit business. You have to have a good product and there has to be a “market” or a need for that product.

Read through this handbook so that you have a good idea of what is involved in starting a nonprofit. This document contains numerous links to online resources. For printed reference materials, we recommend [The Nonprofit Handbook](#) by Gary M. Grobman, [Starting and Building a Nonprofit: a Practical Guide](#) by Peri H. Pakroo, and [How to Form a Nonprofit Corporation](#) by Anthony Mancuso.

## PART 1: IS YOUR IDEA A NONPROFIT OR A BUSINESS?

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You need to determine if your idea is best executed through a for-profit business or a nonprofit organization. Starting a nonprofit has all the requirements of starting a business plus **additional requirements**, particularly if you want to be able to accept tax-deductible donations as a tax-exempt organization (for a helpful comparison, go to <http://nccs.urban.org/faq/>).

In a for-profit organization, the owners, or the people who represent the owners (for example, the board of directors), can decide what they want to do with any net earnings or “profit” generated by the business. Most for-profits are sole proprietorships, partnerships, limited liability companies, or corporations.

Nonprofits can – and should – have a “profit” or a surplus of revenues over expenditures. They need to have some money left over each year to invest in improving the organization and in protecting the organization in the face of unexpected costs. What makes nonprofits different from for-profit corporations is that they cannot distribute their profit to the organization’s members, directors, or officers. The IRS is increasing its oversight of nonprofits to prevent what is called “private inurement,” which is prohibited in all nonprofits. Private inurement happens when an insider — an individual who has significant influence over the organization — enters into an arrangement with the nonprofit and receives benefits, such as a high salary (e.g., compensation greater than what she or he provides in return).

A founder of a nonprofit organization must decide whether they are going to be the executive director or a member of the board. Funders and volunteers may see organizations where leaders who are in both roles as a personal crusade, rather than an independent nonprofit. Whether you are the executive director or a member of the board, you give up having control over the organization, even if you founded it and provided initial funding. Boards hire and fire executive directors, and a board member must be prepared to share control with an executive director and with other board members.

### WHY FORM A NONPROFIT CORPORATION?

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A group of people can get together to do something that benefits the community without forming a nonprofit corporation. If you are not going to ask for or receive donations, collect any income for the service or product you offer, own property, have a bank account, or hire staff, you could simply be an informal organization.

If the activities of your group require you to form a nonprofit corporation, these are some of the advantages that may be available to your organization:

- An organization granted tax-exempt status by the IRS (e.g., a 501(c)(3) nonprofit organization) does not pay federal income tax (business tax rates range from 17-34%).
- Many grants and charitable donations from individuals, foundations, corporations, and the government are only available to tax-exempt nonprofit organizations.
- Donations made by individuals, foundations, and corporations to certain tax-exempt nonprofits are tax-deductible.
- Forming a nonprofit organization can help insure that the organization continues to exist in the future, even if you are not personally involved.
- Forming a corporation can protect you personally from some types of liability for the operations of the nonprofit.
- Nonprofits are eligible for reduced postage rates for bulk mailings.

In the State of Washington, nonprofit arts organizations are exempt from paying sales tax on expenses directly related to programs, and may apply for an exemption from Seattle Admissions Tax (5%).

Go to [www.idealists.org/if/i/en/faqcat/26-24](http://www.idealists.org/if/i/en/faqcat/26-24) for more general information on nonprofit corporations. Plus, several companies provide Internet-based services that can help you with some of the steps needed to establish a corporation: [www.form-a-corp.com](http://www.form-a-corp.com), [www.mycorporation.com](http://www.mycorporation.com), [www.bizfilings.com](http://www.bizfilings.com), or [www.corporate.com](http://www.corporate.com).

### WHY NOT WORK WITH AN EXISTING NONPROFIT?

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Before setting up a brand new nonprofit, consider if there are established organizations within the community that serve the same or a related purpose, or target the same population. Explore partnerships and consider piloting the program through another organization before beginning any official paperwork. You may be able to advance your ideas much more quickly by working through an existing organization. Most grant-making organizations will not fund new nonprofits that are seen as providing a service or addressing an issue that is already within the mission of existing organizations. Even if you are able to attract start-up funding, it will likely be very difficult to replace that funding in the early years of the organization. The basic cost of starting a new organization, if you have a small office and a part-time staff person, is at least \$45,000.

## CONDUCT INTERVIEWS

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Set up interviews with at least four organizations that have a similar or related purpose. Contact potential donors, the people you want to serve, and community leaders in order to assess if your mission can best be accomplished through an existing or a new organization.

If you find an existing organization with a purpose similar to the one you are seeking to establish, consider joining the organization as a volunteer or ask if they would create a program to carry out your ideas.

## CONSIDER FINDING A FISCAL SPONSOR

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You should also consider partnering with an existing organization before going through the process of setting up a brand-new nonprofit. Such a partnership is called “fiscal sponsorship.” A sponsoring organization oversees the financial affairs of the sponsored organization and provides administrative support, as needed. Typically, a portion of the funds raised go to the fiscal sponsor to offset their costs (e.g., 5-15%). This type of arrangement can reduce your administrative costs substantially and give you access to professional management services. It can also give you credibility with funders and potential donors. The activities you want to do need to fit within the mission and purpose of the sponsoring organization.

To learn more about fiscal sponsorship, go to

<http://managementhelp.org/nonprofitfinances/index.htm#anchor1824012>.

A fiscal sponsorship overview, two sample agreements, and a national directory of sponsors can also be found on our website at <http://www.501commons.org/resources/tools-and-best-practices/starting-a-nonprofit>.

A leading fiscal sponsor is Tides in California. For information on the types of organizations that are eligible to become a project of Tides and general information on fiscal sponsorship, visit <http://www.tides.org/i-want-to/turn-my-vision-ideas-into-a-nonprofit-project/learn-about-fiscal-sponsorship-at-tides/>.

## RAISING FUNDS

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Do not assume that you will get grants to start a nonprofit. Grants are very competitive and are given to organizations that have a track record, including having raised funds from other sources. Expect to have to raise all the funds you need for starting up the nonprofit and for the first year of operations (at least) from contributions you make yourself and money given to you by individuals you know or approach.

## PART 2: WHAT KIND OF NONPROFIT?

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If the organization needs to be a separate legal entity that can own property and have a bank account, you will need to incorporate with the State of Washington.

### STATE REGULATION

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There are many types of nonprofits. The rules for each type of nonprofit are slightly (but sometimes importantly) different. Washington State allows the creation of a nonprofit corporation “for any lawful purpose.” It is important that you know all of the options for being a nonprofit and choose the option that matches your organization’s activities. Contact the Secretary of State’s Office for more information at (800) 332-GIVE (Washington only) or (360) 725-0378; [charities@sos.wa.gov](mailto:charities@sos.wa.gov); PO Box 40234, Olympia, WA 98504-0234; or <http://www.sos.wa.gov/charities>.

### FEDERAL (IRS) REGULATION

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In addition to state regulation of nonprofits, the Internal Revenue Service (IRS) administers the federal tax regulations that apply to nonprofits. The tax status of a nonprofit depends on how the IRS interprets the nature of the organization and its services.

- Tax-exempt nonprofit – Most nonprofits that accept grants and donations from individuals, businesses, and foundations are nonprofit corporations eligible for tax exemption under the IRS. The IRS gets involved because corporations are, in general, required to pay federal corporate income taxes on their net earnings. Before you file with the IRS to be a tax-exempt organization, you must be incorporated at the state level.
- Probably the best known type of nonprofit is the IRS classification of 501(c)(3), a “charitable nonprofit.” To view various kinds of tax-exempt (Section 501) organizations, see [http://www.irs.gov/publications/p557/ar02.html#en\\_US\\_2013\\_publink10002273](http://www.irs.gov/publications/p557/ar02.html#en_US_2013_publink10002273).
- To obtain information about tax-exempt status, contact the Internal Revenue Service directly at 1-877-829-5500 or visit their website at this address for more contact information: <http://www.irs.gov/Charities-&-Non-Profits/How-to-Contact-the-Tax-Exempt-and-Government-Entities-Division>. Information on tax-exempt nonprofit status is included in IRS Publication 557 at [www.irs.gov/pub/irs-pdf/p557.pdf](http://www.irs.gov/pub/irs-pdf/p557.pdf).

- Tax-exempt nonprofits are able to accept tax-deductible contributions. Being tax-exempt does not necessarily mean you are eligible to receive tax-deductible donations (donations that individuals and corporations can deduct from their income taxes). See IRS “Publication 526, Charitable Contributions,” at <http://www.irs.gov/uac/Publication-526,-Charitable-Contributions-1>.

## PART 3: THE LEGAL STEPS TO FORM A NONPROFIT

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Wayfind (formerly Washington Attorneys Assisting Community Organizations, or WAACO) publishes the “Washington Nonprofit Handbook.” You can download this helpful document at <http://wayfindlegal.org/tools/legal>. The handbook gives you detailed information on the steps to forming a nonprofit; these steps are summarized below.

The following are the specific steps to be taken in order to establish a nonprofit organization that meets legal requirements.

- 1. Develop a board of directors.** The board must be a minimum of three people, but should be more, generally 7-12. You will need people with a broad array of skills in fundraising, accounting, knowledge of your programs, community contacts, etc.

The board should include people not related to the person who will be managing the organization. Whenever possible, directors should not be relatives or close friends. Having relatives or close friends on the board will make it more difficult to demonstrate that decisions were made in an unbiased way and that no board member is personally benefiting from the organization.

Resources about boards of directors:

- Standards for Excellence Institute: <http://www.standardsforexcellenceinstitute.org/dnn/Education/Resources.aspx>
- CompassPoint’s Board Café: [www.boardcafe.org](http://www.boardcafe.org)
- Board Source: [www.boardsource.org](http://www.boardsource.org)
- Free Management Library: [www.managementhelp.org/boards/boards.htm](http://www.managementhelp.org/boards/boards.htm)
- United Way of King County: [www.uwkc.org/partner-with-us/nonprofits/governance/](http://www.uwkc.org/partner-with-us/nonprofits/governance/)
- Approach to board governance called Policy Governance: [www.carvergovernance.com](http://www.carvergovernance.com)

**Create a profile** or list of characteristics you want in the people on your board of directors. These characteristics may include certain kinds of expertise, but it is a good idea to consider personal characteristics, such as how the person works within a group and their experience on a board as well. United Way of King County has a Board Composition Matrix (Excel spreadsheet) you can use for this purpose at <http://www.uwkc.org/partner-with-us/nonprofits/governance>.

Also, **develop a list of commitments** you want board members to make, such as attending board meetings, making a financial contribution to the board, participating on a board committee, etc. Have each person who joins the board sign this commitment form.

- 2. Reserve the organization's name.** To avoid possible infringement on a reserved name, do a thorough search on all business names you will use. In Washington State, check the Business Search Line and the Trademark Division of the Secretary of State at <http://www.sos.wa.gov/corps/Trademarks.aspx>. Also contact the U.S. Patent & Trademark Office at 1-800-786-9199 or [www.uspto.gov](http://www.uspto.gov). Contact the Secretary of State's Corporate Division at (360) 725-0377 or [www.secstate.wa.gov/corps](http://www.secstate.wa.gov/corps). More information can be found at <http://bls.dor.wa.gov/startbusiness.aspx>.

- 3. Prepare and file the Articles of Incorporation.** File Articles of Incorporation with Washington State's Secretary of State's Corporate Division to gain incorporation status. The form is at <http://www.sos.wa.gov/assets/corps/NonProfitArticles2010.pdf>. For nonprofit corporations, there is no annual corporate license renewal fee, but there is an annual report fee. Details are at <http://www.sos.wa.gov/corps/nonprofitinformation.aspx>.

Requirements for Articles of Incorporation under the State Nonprofit Corporation Act are available at <http://apps.leg.wa.gov/RCW/default.aspx?cite=24.03.025>. Sample articles of incorporation and bylaws are available at <http://wayfindlegal.org/tools/legal>.

- 4. Apply for a Federal Employer Identification Number (EIN),** using Form SS-4, from the IRS. An EIN number works like a Social Security Number for your organization. The form and instructions for submitting Form SS-4 are available at <http://www.irs.gov/pub/irs-pdf/fss4.pdf>.

You can apply for an EIN through the website at <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-%28EIN%29-Online>.

- 5. Prepare the organization's bylaws.** You will need to decide if you are going to be organized as a membership organization or a non-membership organization. For guidance on the

difference, please reference the Washington Nonprofit Handbook at <http://wayfindlegal.org/tools/legal>.

Information about writing bylaws (for members-based and non-member-based groups) and samples are found at the following sites:

- Wayfind: <http://wayfindlegal.org/tools/legal>

- 6. Develop a business plan (see Part 4 of this handbook).** This process will help you if you apply to the IRS for tax-exempt status, and it will be the basis for grant applications and fundraising solicitation.
- 7. Conduct an initial meeting of the board of directors.** Prepare an agenda in advance of the meeting so that the organization is clear about what it needs to accomplish in the meeting.
- 8. Apply for nonprofit designation from the IRS.** If your organization is likely to qualify, apply for tax-exempt status at the IRS by following instructions in “Publication 557” available at <http://www.irs.gov/pub/irs-pdf/p557.pdf>. Include the processing fee and return all paperwork to the IRS. Remember: If you expect to collect donations that are tax-deductible, you need to get IRS approval as both a tax-exempt organizations and as an organization able to accept tax-deductible contributions. Nonprofit organizations file for 501(c)(3) tax-exemption status using Form 1023 at [www.irs.gov/pub/irs-pdf/f1023.pdf](http://www.irs.gov/pub/irs-pdf/f1023.pdf).
- 9. Obtain needed state licenses.** Washington State has a “Master Application” that is used to apply for a state Unified Business Identifier (UBI) number as well as many state licenses. It is also used to register Trade Names (“Doing Business As,” or dba, names). Before completing an application, you may want to view business license information and view or print out the License Fee Sheet at <http://www.dol.wa.gov/forms/700032.pdf> to help you determine the fees and forms required for your business. Applications and online instructions are also available at this site.

You may also contact the State directly if you have regulatory questions: Secretary of State’s contact information is at <http://www.sos.wa.gov/office/Contact-Us.aspx> or visit <http://www.sos.wa.gov>.

## **10. Register with the State’s Charitable Solicitations Program and/or Charitable Trust**

**Program.** Registration is not required for all nonprofits. To determine if your organization meets registration requirements, visit <http://www.sos.wa.gov/assets/charities/Summary-of-Washington-State-Charitable-Solicitations-Act.pdf>. Generally, any organization that conducts charitable solicitations in Washington State must register under the Charitable Solicitations Act, but there are some exceptions for political organizations and churches. Contact the Charities Program directly for more information regarding exemptions. A fee schedule for charitable organizations can be found at <http://www.sos.wa.gov/charities/CharitiesFeeSchedule.aspx>.

The Charitable Trust registration is separate from the Charitable Solicitations registration. Any organization that is domiciled in Washington State, has a charitable purpose, and holds \$250,000 or more in assets is required to file a Charitable Trust registration. Some organizations that do not meet the filing requirement choose to file in order to be included in the Charitable Trust Directory, an annual publication that lists grantmaking and grantseeking organizations in Washington State. Information on filing requirements is available at the Secretary of State website listed above or by calling 1-800-332-GIVE.

**11. Obtain a business license from the city in which you are doing business.** For example, the City of Seattle requires all businesses located within the city limits, or who conduct business within the city limits, to be licensed with them. For the City of Seattle, go to <http://www.seattle.gov>. Their online application form and contact information can be found at <http://www.seattle.gov/business-license-tax>.

Certain business licenses may require approval through city police, planning, fire, and building departments. In Seattle, call 206-684-8484 or email [tax@seattle.gov](mailto:tax@seattle.gov) for information. A directory of city departments is at <http://www.seattle.gov/departments>.

**12. Meet county licensing requirements.** Contact the county(s) you plan to do business in to get information on any county license requirements.

For King County, licensing with the cities you do business in is sufficient, unless you will also be doing business in unincorporated King County. Go to <http://www.kingcounty.gov/business/licenses.aspx> for more information.

For Pierce County: <http://www.piercecountywa.org/index.aspx?NID=355>

For Snohomish County: <http://www.snohomishcountywa.gov/247/BusinessKennel-Licenses>

## PART 4: DEVELOPING A BUSINESS PLAN

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“THE FELLOW THAT CAN ONLY SEE A WEEK AHEAD IS ALWAYS  
THE POPULAR FELLOW, FOR HE IS LOOKING WITH THE CROWD.  
BUT THE ONE THAT CAN SEE YEARS AHEAD, HE HAS A  
TELESCOPE, BUT HE CANNOT MAKE ANYONE BELIEVE HE HAS IT.”

MARK TWAIN, AUTOBIOGRAPHY (1949)

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In order to give the board, staff, and volunteers of the organization a road map for building a successful organization, you should develop a business plan for the new organization.

Having a concise business plan will help you respond to questions from the State and the IRS. Also, a clear business plan becomes an introductory document to distribute to community leaders, potential board members, staff, and partners in the venture. There are many books and software programs published that offer ‘how-to’ information for developing a business plan; some library or online research will lead you to choices that work for your organization.

A template for a nonprofit business plan is included in this guide as Attachment A.

Some additional resources on business planning, including some samples:

- [www.mapnp.org/library/plan\\_dec/bus\\_plan/bus\\_plan.htm](http://www.mapnp.org/library/plan_dec/bus_plan/bus_plan.htm)
- The Community Technology Centers website offers an excellent step-by-step process for developing a nonprofit business plan at [www.ctcnet.org/resources/toc.htm](http://www.ctcnet.org/resources/toc.htm)
- A sample for-profit plan can be found at:  
[www.bulletproofbizplans.com/bpsample/Sample\\_Plan/sample\\_plan1.html](http://www.bulletproofbizplans.com/bpsample/Sample_Plan/sample_plan1.html)

## FOUR BASIC STEPS TO DEVELOPING A BUSINESS PLAN

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1. **Document the need for the organization** – You need to document the need for your organization by describing the problem you intend to address or the need for the service or product you will provide. Documentation can be from quantitative sources such as census information, government reports, statistical studies, or research. It can also come from qualitative sources such as informal community surveys, discussion groups, and interviews with community leaders or experts on the issue. If you are going to provide a service or product to individuals it is a good idea to survey, conduct focus groups, or meet with potential users of your service to determine their interest and needs.
2. **Develop a mission statement** – The mission statement explains why the organization exists. It provides a direction and focus for the organization’s employees, board, and volunteers.
  - What is the problem or need your organization is addressing?
  - How is your organization different than other similar organizations?
  - Who benefits from your work?

In no more than a few sentences a mission statement needs to communicate the essence of your organization to your stakeholders and to the public. The mission statement should focus on particular goals the organization would like to achieve, and can provide momentum for activities within the organization. It is a good idea to involve the board of directors in the development of the mission statement.

3. **Describe the program** – Develop a detailed description of the program, including a projected budget for operating the program. The budget should include all the typical costs of doing business such as taxes, insurance, financial services, phone/internet and supplies, as well as facility and personnel costs.
4. **Develop a financial plan** – A feasibility study should be conducted to gauge the likelihood of success for the program. Write down all your assumptions about how many people will access the program, how long it will take to be operational, and what the staff and operation costs will be. Also record your assumptions about the environment in which your program is working; consider other organizations that provide a similar program or service, economic trends, and the number of people in your target population/audience.

Develop a budget for startup and the first year of operations. Be sure to include business expenses like insurance, taxes, payroll and professional services. Set services based on comparisons with similar nonprofit organizations rather than private sector businesses. Include specific funding sources you are targeting for support, estimate the range of support that you expect from each source, and evaluate the viability of the organization if you receive the **low** end of that estimate. Validate your assumptions by researching the giving histories of the individuals and organizations you will be asking for funds. Plan to raise all of the funds you need for startup without any grant support. Once you have raised some money from individuals you can begin to apply selectively for grants. Assume that a new organization will be much less likely to receive support than an organization that has existed for some time.

Additional elements and a format for a business plan are shown in Attachment A.

## PART 5: NONPROFIT MANAGEMENT OBLIGATIONS

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“THE THINGS WE FEAR MOST IN ORGANIZATIONS—  
FLUCTUATIONS AND CHANGE—NEED NOT DISTURB US. INSTEAD,  
FLUCTUATIONS ARE THE PRIMARY SOURCE OF CREATIVITY AND  
CLEVERNESS.”

MARGARET WHEATLEY, *LEADERSHIP AND THE NEW SCIENCE*.

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Tax-exempt nonprofit organizations can, and do, operate in most ways like any business. They have bank accounts, own productive assets of all kinds, receive income from sales and other forms of activity, make and hold passive investments, employ staff, enter into contracts of all sorts, etc. Nonprofits must follow sound business practices in all these activities.

Nonprofit organizations have additional obligations that for profit companies or sole proprietorships do not. There are specialized tax rules and accounting practices that apply to nonprofit organizations. If the organization is of a certain size, the organization must disclose the IRS form 990 to the general public, state regulators, and watchdog agencies. The IRS form 990 includes any salaries paid to officers or directors and the five highest-paid employees, and contracts over \$50,000 in the tax year. The form also requires the organization to divide its expenses into "functional categories"—such as programs, administration, and fund-raising—and to report the total expenditure for each category along with the amounts expended on each program activity.

### PAYING BUSINESS TAXES

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**Federal taxes:** Call the Internal Revenue Service at 1-800-829-3676 to order a business tax kit. Federal taxes may be paid by electronic transfer. In some cases, payment through electronic transfer is mandatory. Enrollment forms are available by calling either 1-800-555-4477 or 1-800-945-8400. You may also file some of your federal tax returns electronically. Contact the IRS at 1-800-829-1040 to obtain information on electronic filing.

**Municipal business taxes:** Washington cities tax private businesses, municipal, and private utility companies within their boundaries. Contact each city in which business will be conducted.

**Property and personal property tax:** You must report your business property, furniture, equipment, supplies, etc., to the assessor of the county in which your business is located. King County Assessor (206-296-7300): [www.kingcounty.gov/Assessor.aspx](http://www.kingcounty.gov/Assessor.aspx)

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## HIRING AND MANAGING EMPLOYEES

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Some general information on the requirements for employees can be found at:

<http://access.wa.gov/employment/workerrights.aspx>

State: Report all newly hired and rehired employees to the Division of Child Support (DCS): Department of Social and Health Services 1-800-562-0479; New Hire Reporting - [www.dshs.wa.gov/newhire](http://www.dshs.wa.gov/newhire)

Federal: You must also complete a Federal I-9 form for every employee and submit it to: Immigration and Naturalization Services 815 Airport Way S. Seattle WA 98134 (206) 553-5956 1-800-870-3676

### Resources for Recruiting Employees

There are several ways to advertise a nonprofit position for free but you will want to use one of the larger paid services if you are trying to recruit nationally.

- Idealist.org offers a nonprofit job listing service: [www.idealist.org](http://www.idealist.org)
- Philanthropy Northwest also maintains a job bank: <https://services.philanthropynw.org/jobbank/>
- Northwest Development Officers' Association provides a job posting service at: [www.ndoa.org](http://www.ndoa.org)
- Exec Searches is a nationwide posting service for nonprofits: [www.execsearches.com](http://www.execsearches.com)
- Opportunity Knocks [www.opportunitynocs.org](http://www.opportunitynocs.org)
- The first three job postings are free at: [www.thenonprofitnetwork.org/index.php?page=en\\_Home](http://www.thenonprofitnetwork.org/index.php?page=en_Home)

- The first posting for nonmembers is free at the Society for Nonprofit Organizations: [www.snpo.org/nonprofitcareers/index.php](http://www.snpo.org/nonprofitcareers/index.php)
- Join the Nonprofit Networking group on Yahoo Groups. You can list jobs and ask questions of the nonprofit community. This is primarily a local group.

Also consider four year and community colleges, especially those with nonprofit curriculum. Many of these have periodic on campus job fairs, as well as publishing jobs on their sites:

- Bellevue College: <http://bellevuecollege.edu/careers/employers.html>
- Seattle University: [www.seattleu.edu/student/cdc](http://www.seattleu.edu/student/cdc)
- University of Washington: <http://careers.washington.edu/>

## ONLINE RESOURCES

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“THAT IS WHAT I CONSIDER TRUE GENEROSITY: YOU GIVE YOUR ALL AND YET YOU ALWAYS FEEL AS IF IT COSTS YOU NOTHING.”

SIMONE DE BEAUVOIR, *ALL MEN ARE MORTAL*.

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### MANAGEMENT INFORMATION AND GENERAL RESOURCES

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- The Frances Hesselbein Leadership Institute (formerly the Leader to Leader Institute): <http://www.hesselbeininstitute.org/>
- The Nonprofit Center: <http://www.nonprofitcenters.org/>
- Center for Philanthropy and Nonprofit Leadership: <http://pnlc.rollins.edu/default.asp>
- Free Management Library: [www.managementhelp.org](http://www.managementhelp.org)
- Minnesota Council of Nonprofits Information Center contains extensive information on governance: [www.mncn.org](http://www.mncn.org)
- CompassPoint is noted for quality of its research and information on best practices: [www.compasspoint.org](http://www.compasspoint.org)
- This site focuses on strengthening leadership and fostering inclusiveness and collaborations: [www.allianceonline.org](http://www.allianceonline.org)
- Nancy Bell Evans Center - Management resources: <http://evans.washington.edu/research/centers/nancy-bell-evansht>
- Capaciteria.org: <http://capaciteria.org/>

### DEVELOPMENT RESOURCES

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- Northwest Development Officers Association: [www.ndoa.org](http://www.ndoa.org)
- Overview of nonprofit fundraising: [www.managementhelp.org/fndrsng/np\\_raise/fndraise.htm#anchor258174](http://www.managementhelp.org/fndrsng/np_raise/fndraise.htm#anchor258174)

## NONPROFIT ORGANIZATION DIRECTORIES

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- Idealist.org – Leading site for nonprofits. Includes job listings, volunteers and consultants: [www.idealist.org](http://www.idealist.org)
- Guidestar.com – Make sure your organization is listed, and get info about potential partners: [www.guidestar.com](http://www.guidestar.com)
- Artist Trust - Artist Trust provides information on resources related to artists and arts organizations: <http://www.artisttrust.org/>

## GOVERNANCE AND BOARDS OF DIRECTORS

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- BoardSource (formerly The National Center for Nonprofit Boards): [www.boardsource.org](http://www.boardsource.org)
- United Way of King County: [www.uwkc.org/partner-with-us/nonprofits/governance](http://www.uwkc.org/partner-with-us/nonprofits/governance)
- The Nonprofit Center: <http://www.nonprofitcenters.org/>
- Nonprofit Good Practice Guide: [www.npgoodpractice.org](http://www.npgoodpractice.org)

## GRANTS AND FUNDRAISING

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- For grant information go to the Foundation Center at [www.foundationcenter.org](http://www.foundationcenter.org). They also have online library of resources for grantseekers and can direct you to books and articles that may be helpful: [lncps.fdncenter.org](http://lncps.fdncenter.org)
- Contains latest national data on giving and volunteering: [www.independentsector.org](http://www.independentsector.org)
- They are building a resource center with information for starting, running and funding an organization: [www.npgoodpractice.org](http://www.npgoodpractice.org)

## LOCAL LIBRARIES

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- King County Library System Nonprofit & Philanthropy Resources Center:  
[www.kcls.org/philanthropy](http://www.kcls.org/philanthropy)

## FINANCIAL MANAGEMENT

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- 501 Commons provides bookkeeping, payroll, and tax services, as well as custom financial management consulting, in King and Snohomish Counties:  
[www.501commons.org](http://www.501commons.org)
- Washington Association of Accountants: [www.waa.org](http://www.waa.org)
- Accounting: <http://www.muridae.com/nporegulation/accounting.html>
- Management Help: <http://managementhelp.org/nonprofitfinances.index.htm>
- Nonprofit Resource Center: [www.1800net.com/nprc/index.html](http://www.1800net.com/nprc/index.html)
- MAP for Nonprofits: [www.mapnp.org/library/finance/np\\_fnce/np\\_fnce.htm](http://www.mapnp.org/library/finance/np_fnce/np_fnce.htm)

## LEGAL SERVICES

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- Directory of pro bono legal services:  
<http://apps.americanbar.org/legalservices/probono/directory.html>
- A lawyer referral service is available through the King County Bar Association (206-267-7100): [www.kcba.org/lrs/index.aspx](http://www.kcba.org/lrs/index.aspx)
- Washington Attorneys Assisting Community Organizations: [www.waaco.org](http://www.waaco.org)
- Washington Lawyers for the Arts: <http://www.thewla.org/>

## VOLUNTEERS

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- A wonderful site covering every aspect of volunteer management:  
[www.serviceleader.org](http://www.serviceleader.org)
- People can find volunteer opportunities all over the country by zip code or area of interest: [www.volunteermatch.org](http://www.volunteermatch.org)

- Volunteer Centers of Washington State: [www.volunteerwashington.org](http://www.volunteerwashington.org)

# CHECKLIST FOR STARTING A NONPROFIT

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## 1. DECIDING TO START A NONPROFIT

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- Why not a business?

[Understand the difference between a business and a nonprofit](#)

- Why not an informal organization?

[Understand the advantages/disadvantages of a nonprofit](#)

(ref: <http://www.nolo.com/article.cfm/objectID/F63DD4C1-456C-418F-A1066A3F3FBE05A5/111/262/ART/>)

- Why not work with an existing nonprofit?

[Have researched and interviewed existing non-profits and potential clients/members/users](#)

- What kind of nonprofit?

[Have studied options](#)

(ref: <http://www.irs.gov/pub/irs-pdf/p557.pdf>)

## 2. LEGAL STEPS

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- Develop a board of directors (minimum of 3, usually 7-13)

- Develop a profile of the skills, experience and characteristics you want

- Develop a list of commitments you are asking of board members

- Decide the organization's name

- Confirm the name is not reserved

- Reserve the name for a short period

(ref: <http://www.nolo.com/legal-encyclopedia/form-nonprofit-501c3-corporation-30228.html>)

Prepare and file the Articles of Incorporation [Articles of Incorporation](#)

Apply for Federal Employer Identification Number (EIN)

[Form SS-4: http://www.irs.gov/pub/irs-pdf/fss4.pdf](http://www.irs.gov/pub/irs-pdf/fss4.pdf)

[instruction: www.irs.gov/pub/irs-pdf/iss4.pdf](http://www.irs.gov/pub/irs-pdf/iss4.pdf)

Prepare organization's bylaws

Bylaws: <http://wayfindlegal.org/tools/legal>

Develop a business plan (see below)

Conduct an initial meeting of the board of directors

Apply for nonprofit designation from the IRS

Form 1023: <http://www.irs.gov/pub/irs-pdf/f1023.pdf>

Instruction: <http://www.irs.gov/pub/irs-pdf/i1023.pdf>

Obtain needed local licenses

Obtain State licenses (follow [this instruction](#))

Meet county licensing requirements

Obtain a business license from the city (refer to the website of each city)

ORGANIZATION NAME

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**Operating (or Business) Plan**

Date

Prepared by

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***Note: Update this hyperlinked table of contents by right clicking on update field and choosing "update entire table."***

## Section 1: BACKGROUND

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Purpose of this section: Describe what the organization is being formed to do.

### A. BACKGROUND

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Problem the organization has been created to address

The cause of the problem

Current situation concerning the problem

### B. MISSION

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What the organization will do to address the problem

What evidence do you have that this is not already being done or is not available to the people you expect to serve?

### C. VISION

---

What the client/community/world will look like if we are successful

## SECTION 2: ORGANIZATIONAL STRATEGY

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Purpose of this section: Define your “theory of change”. How will what you do bring about a solution to the problem?

### A. DESCRIPTION OF YOUR ORGANIZATIONAL STRATEGY

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Describe how what you will do will address the problem(s) your organization is being formed to address. Your organization’s strategies should explain the specific activities that will be carried out.

## **B. KEY STRATEGIES**

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Not more than 3

### **STRATEGY 1**

Brief description

What will be done to address the problem? When will this be done?

What is the goal of the activity?

### **STRATEGY 2....**

### **STRATEGY 3....**

## **HOW WILL YOU KNOW IF YOU ARE BEING SUCCESSFUL?**

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Describe the outcomes you expect to generate. Specifically, how will you measure results and what change do you expect to occur?

## **GOVERNANCE**

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**Purpose of this section - what will the organization do to realize the organizational strategy.**

### **A. BOARD OF DIRECTORS**

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**Must have at least 4 board members, including three not related to the founder. Insert names, addresses, and positions/titles of board members below. Be sure to note the name of the president, vice-president, secretary, and treasurer. Describe what types of board members will be recruited.**

Name, addresses, titles	Position / Title
1.	President
2.	Vice President
3.	Secretary
4.	Treasurer
5.	
6.	
7.	
8.	
9.	
10.	

## **B. BOARD POLICIES**

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- Conflict of interest Policy
- Record Retention Policy
- Whistleblower Policy
- How ED salary will be established

## SECTION 4: OPERATING PLAN

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### A. DESCRIPTION OF THE PROGRAM

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### B. MULTI-YEAR STAFFING PLAN

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Note: a 1.0 Full-time Equivalent (FTE) is a person who works 40 hours a week or 2080 hours a year. A .5 FTE is a half-time or 20/hr. per week position.

	Year 1				Year 2				Year 3			
Position	1	2	3	4	1	2	3	4	1	2	3	4
<i>Title1</i>	.5	.5	.5	.5								
				.								

### C. BUDGET: ESTIMATING START-UP AND OPERATING COSTS

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Part 1: Year 1 Salaries

Position	Salary	% FTE	Benefits (10-15%)	Total
Exec. Dir.	45k x .5 = 27,500	.5	2750	30,250
Part 1 Total				

## PART 2: STARTUP CAPITAL COSTS

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Determine what furniture, vehicles, or equipment you will need. Items needed may include furniture, fixtures and equipment, file cabinets, copy machine, computers, etc. If items are financed, include them under monthly costs below.

<b>Multi-Year Capital Costs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Vehicles			
Computers			
Furniture			
Equipment			
Total			

<b>Year 1 Capital Cost</b>	<b>No.</b>	<b>Price Per</b>	<b>Total</b>
1.			
2.			
3.			
4.			
Part 2 Total			

### **PART 3: ONE TIME COSTS**

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<b>One Time Costs</b>	<b>Amount</b>
Remodeling	
Installation of fixtures and equipment	
Personnel recruitment	
Deposits with public utilities, telephone, intranet	
Legal and other professional fees	
Licenses and permits	
Other cash requirements	
Part 3 Total	

Total One Time Start Up costs (Part 1-3) = \_\_\_\_\_

**PART 4: ESTIMATED MONTHLY EXPENSES**

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<b>Monthly Expenses</b>	<b>Total</b>
Salaries	
Benefits	
Payroll taxes and expense	
Rent or lease	
Supplies	
Advertising/communications	
Telephone/ internet	
Utilities	
Insurance	
Property taxes	
Interest expense	
Repairs and maintenance	
Legal and accounting	
Payments for capital equipment and furnishings	
Website	
Miscellaneous	
TOTAL ESTIMATED MONTHLY EXPENSES	
Multiply by 12= Annual cost	

## PART 5: SUMMARY OF COSTS

Summary of Costs	Total
One time capital costs	
First year operating costs	
Total first year cost	

## SECTION 5: FUNDRAISING PLAN

How much from which sources? Plan to raise initial money from individuals, not grants. For each source of revenue apply a discount percentage to recognize that not all fundraising requests will be successful. For example: if \$100,000 in grants are written, assume that you will get 10% or \$10,000 in revenue since most grants are not funded.

Sources	Requests	Discount %	Est. Revenue
Memberships			
Corporate sponsorships			
Grants (corporate and private foundations)			
Individual donors (how many at what level)			
<b>TOTAL</b>			

## SECTION 6: ACTION PLAN FOR 1-2 YEARS

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<b>Action</b>	<b>Who is accountable</b>	<b>Due Date</b>