



Realizing Profitable Potential through Change

10 Things to Consider When Creating a NonProfit Organization

So you are thinking of creating a nonprofit, but maybe don't know where to start? Here are 10 Things to Consider When Creating a NonProfit Organization:

1. **Community Need** - All non profits should be designed around a community need – What need are you going to fulfill? How is that need currently being met? Even NonProfits have competition so you need to know what the need is, who is currently fulfilling that need, and what are you going to do differently? There are only so many dollars so you will be competing against established nonprofits for those dollars and will have to be able to justify why your nonprofit deserves to be a steward of those dollars.
2. **Transparency** is a must to keep tax exempt status – you will have people looking at your financials and you need to be able to show where the money is coming from and going to. You also will have to show fiscal responsibility.
3. **Logic Model** should be used in planning phase of setting up a nonprofit – Here is an example that explains what that is <http://www.wkkf.org/knowledge-center/resources/2006/02/WK-Kellogg-Foundation-Logic-Model-Development-Guide.aspx>
4. **Funding Opportunities** – How will you get funding for this program? There are lots of organizations competing for the limited funds. Have you researched the opportunities for grants, public and private donor interest, and any other sources of funds?
5. **Board of Directors** – Who will serve on your Board of Directors? A lot of organizations require their board members to make monetary and time donations as part of their commitment to the organization.

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6. **Need to form an entity.** Most recommend a corporation for legal and liability protection. Individual states, and not the federal government, grant official nonprofit status.
7. **Need to register for a Tax Id** - This is done through the Federal Government. You can file online at <https://sa1.www4.irs.gov/modiein/individual/index.jsp>
8. **Apply for and obtain federal tax exempt status** – You need to complete Form 1023 at <http://www.irs.gov/pub/irs-pdf/f1023.pdf> . Remember, there is no guarantee you will get this just because you apply. You have to justify why your organization should be given federal tax exempt status.
 - a. Becoming nonprofit and becoming tax-exempt are different processes, done at different times (usually), and by different government agencies.
 - b. An important distinction to make is that granting nonprofit status is done by the state. Whereas, applying for tax-exempt designation (such as 501(c)(3), the charitable tax-exemption) is granted by the federal government in the form of the IRS.
9. **Accounting** - You need to understand the financial and tax requirements for nonprofit organizations. Here is some information <http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations>
10. **Executive Director** – Who is going to lead your nonprofit? This could be you or someone else. The key is that an organization needs to clearly know why it exists, who it serves, what it will offer, and who is going to lead it.

Operating a nonprofit can be very rewarding; however, it does take time and perseverance to get it established and operating smoothly. You should approach a nonprofit with a plan, just like you would any other business.

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