

STARTING A NON-PROFIT ORGANIZATION

DEVELOPED BY THE EXECUTIVE SERVICE CORPS OF WASHINGTON

A nonprofit organization of professionals who volunteer as consultants, planners, facilitators, and coaches to nonprofits and schools.

“Generosity with wisdom is like two wheels of a cart.”

Japanese proverb

Many people consider forming a non-profit 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 non-profit 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 document so that you have a good idea of what is involved in starting a nonprofit. To help you determine if you should start a new nonprofit take the short quiz at http://www.npcenter.org/pdf/starting_a_nonprofit.pdf

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 NON-PROFIT OR A BUSINESS?

You need to determine if your idea is best executed through a for-profit business or a non-profit organization. Starting a non-profit 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 www.nonprofits.org/npofaq/18/82.html).

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.

Non-profits can – and should – have a “profit” or a surplus of revenues over expenditures. They should 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 non-profits 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, greater than 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 NON-PROFIT CORPORATION?

A group of people can get together to do something that benefits the community without forming a non-profit 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 non-profit corporation, these are some of the advantages that may be available to your organization:

- An organization granted tax-exempt status (501(c) (3)) does not pay federal income tax (usual business tax rates range from 17% to 34%).
- Many grants and charitable donations from individuals, foundations, corporations, and the government are available only to non-profit organizations.
- Donations made by individuals, foundations, and corporations to certain tax-exempt non-profits are tax-deductible.
- Forming a non-profit 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 non-profit.
- Non-profits are eligible for reduced postage rates for bulk mailings.
- In the State of Washington, non-profit 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: <http://www.idealists.org/if/i/en/faqcat/26-24> for more general information on non-profit corporations. Several companies provide web-based services that can help you with some of the steps needed to establish a corporation. Go to www.form-a-corp.com or www.mycorporation.com or www.bizfilings.com or www.corporate.com.

WHY NOT WORK WITH AN EXISTING NON-PROFIT?

Before setting up a brand new non-profit consider if there are established organizations within the community that serve the same or a related purpose, or target the same population. Exploring 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 Executive Service Corps of WA (www.escwa.org)

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

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

You should also consider partnering with an existing organization before going through the process of setting up a brand-new non-profit. 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. 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 assess fiscal sponsorship go to:

- www.managementhelp.org/finance/np_fnce/np_fnce.htm
- www.non-profits.org/npofaq/02/01.html
- A sample fiscal sponsorship agreement can be found at:
<http://www.compasspoint.org/askgenie/details.php?id=90>

A leading fiscal sponsor is the Tides Center in California. For information on the types of organizations that are eligible to become a project of the Tides Center and general information on fiscal sponsorship go to www.tidescenter.org/become-a-project/index.html

RAISING FUNDS

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 startup of the nonprofit and at least for the first year of operations from contributions you make yourself and money given to you by individuals you know or approach.

PART 2: WHAT KIND OF NON-PROFIT?

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

There are many types of non-profits. The rules for each type of non-profit are slightly (but sometimes importantly) different. Washington State allows the creation of a non-profit corporation “for any lawful purpose.” It is important that you know all of the options for being a non-profit and chose the option that matches your organization’s activities. Contact the Secretary of State’s Office for more information at 360-902-4151, PO Box 40220, Olympia, WA 98504 or www.secstate.wa.gov.

FEDERAL/IRS REGULATION

In addition to state regulation of non-profits, the IRS administers the federal tax regulations that apply to non-profits. The tax status of a non-profit depends on how the IRS interprets the nature of the organization and its services.

- Tax-exempt non-profit – Most non-profits that accept grants and donations from individuals, businesses, and foundations are non-profit corporations eligible for tax exemption under the IRS. The Internal Revenue Service (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.
- Probably the best known type of non-profit is the IRS classification of 501(c) (3), a “charitable non-profit.” To view various kinds of tax-exempt (Section 501) organizations, see www.irs.gov/publications/p557/ar01.html.
- To obtain information about Tax Exempt Status contact the Internal Revenue Service directly at 1-877-829-5500 or visit their website at: www.irs.gov . Information on tax-exempt non-profit status is included in IRS Publication 557 at www.irs.gov/pub/irs-pdf/p557.pdf.

- Tax-exempt non-profits are able to accept tax-deductible contributions. Being tax-exempt does not necessarily mean you are eligible to receive tax-deductible donations (donations individuals and corporations can deduct from their income taxes). See IRS Publication 526, "Charitable Contributions," at www.irs.gov/pub/irs-pdf/p526.pdf.

PART 3: THE LEGAL STEPS TO FORM A NON-PROFIT

The King County Bar Association publishes “How to Start and Maintain a Non-profit Organization.” You can download this helpful document at <http://www.kcba.org/scriptcontent/KCBA/publications/pdf/wlpmpnphb.pdf> . The handbook gives you detailed information on the steps to forming a non-profit; these steps are summarized below.

The following are the specific steps to be taken in order to establish a non-profit 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 include:

- www.standardsforexcellence.org
- CompassPoint’s Board Café at: www.boardcafe.org
- Board Source at: www.boardsource.org
- www.managementhelp.org/boards/boards.htm
- United Way of King County at: www.uwkc.org/nonprofit/training/default.asp
- Information on the approach to board governance called policy governance can be found at: www.carvergovernance.com

Develop a profile or list of characteristics you want in a person 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.

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 at 1-900-463-6000 (this will cost about \$6.00) and the Trademark Division of the Secretary of State at (360) 753-7120. Also contact the U.S. Patent & Trademark Office at 1-800-786-9199 (www.uspto.gov). Contact the Secretary of State's Corporate Division at: www.secstate.wa.gov/corps. The fee is \$20. More information can be found at: dol.wa.gov/business/startbusiness.html.
- 3. Prepare and file the Articles of Incorporation.** File two sets of Articles of Incorporation with Washington State's Secretary of State's Corporate Division to gain incorporation status at: www.secstate.wa.gov/corps. The fee is \$30. For non-profit corporations, there is no annual corporate license renewal fee, but there is an annual report fee of \$10. The forms are at: www.secstate.wa.gov/corps/registration_forms.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 from Non-profit Resources are available at: users.aristotle.net/~nonprofit/startup/startup.html#Articles.

Other examples are found at the following websites:

- King County Bar Association
<http://www.kcba.org/scriptcontent/KCBA/publications/pdf/wlpmnphb.pdf>
- Minnesota Council of Nonprofit: http://www.mncn.org/info/template_start.htm
- www.lagoonpoint.com/documents/LPIC%20Articles%20of%20Incorporation.pdf
- www.biobased.org/association/pdf/incorporation.pdf

- 4. Apply for Federal Employer Identification Number (EIN);** Form SS-4, from the IRS. This number works like a Social Security Number for your organization. Instructions for Form SS-4 and Form SS-4 are available at: www.irs.gov/formspubs/lists/0,,id=97817,00.html.

You can apply for an EIN through the website at

www.irs.gov/businesses/small/article/0,,id=102767,00.html or by mail to Internal Revenue Service, ATTN: Entity Control, Holtsville NY 00501. Toll Free 1-877-829-5500, Fax 1-513-263-3756.

5. Prepare 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 go to the King County Bar Association's Starting a nonprofit Corporation:

<http://www.kcba.org/scriptcontent/KCBA/publications/pdf/wlpmnphb.pdf> .

Other examples and information about writing bylaws are found at the following sites:

- Educause, a Washington DC education non-profit:
www.educause.edu/about/includes/bylaws.pdf.
- Sample nonprofit bylaws: <http://users.aristotle.net/~nonprofit/startup/bylaws.htm>
- Minnesota Council of Nonprofits: http://www.mncn.org/info/template_start.htm

6. Develop a business plan (see Part 4). This process will help you if you apply to the IRS for tax-exempt status, and 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 non-profit designation from the IRS. If your organization is likely to qualify, apply for tax-exempt status at the IRS at: www.irs.gov by completing all the paperwork of application form "Publication 557." Include the processing fee of \$150, 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 organization and as an organization able to accept tax-deductible contributions. Non-profit organizations file for 501 C (3) tax-exemption status using Form 1023 at: www.irs.gov/pub/irs-pdf/f1023.pdf.

9. Obtain needed state licenses: The 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 names). Before completing an

application, you may want to view business license information and view or print out the License Fee Sheet at: www.dol.wa.gov/forms/700028.html 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: Washington State Secretary of State, 801 Capitol Way S, PO Box 40234, Olympia WA 98504-0234, 360-753-7120 or toll free Washington State only-1-800-332-4483. You can also visit:

www.secstate.wa.gov/

10. Register with the State 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://secstate.wa.gov/charities/> and click on the “Charities” and “Trust” tabs. 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. Exempt organizations are encouraged to file an Optional Statement for an Exempt Organization. The filing fee for a new registration is \$20; renewals are \$10.

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. The filing fee for a new registration is \$25; renewals are also \$25.

11. Obtain a business license from the city in which you are doing business.

The City of Seattle requires all businesses located within the city limits, or who conduct business within the city limits, to be licensed with the city. For the City of Seattle go to: www.pan.ci.seattle.wa.us . The online application form for the City of Seattle can be found at: www.cityofseattle.net/rca/licenses/Blicform.htm.

Certain business licenses may require approval through city police, planning, fire and building departments. Call the Seattle Department of Executive Administration at 206-684-8484. A directory of city departments is at: www.cityofseattle.net/directory/.

Address information: Seattle (King County) WA, Executive Administration, Revenue & Consumer Affairs, 700 Fifth Ave, Ste 4250 Seattle, WA 98104-5020 USA, Phone: 206-684-8484, Fax: 206-684-5170

- 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 as well. Address information: King County Business License Office, 900 Oakesdale Avenue SW, Renton, WA 98055-1219. Phone: 206-296-6600. Or go to: www.metrokc.gov/permits/business.aspx

For Pierce County, go to:

www.co.pierce.wa.us/pc/abtus/ourorg/aud/Licensing/business_license.htm

For Snohomish County: www.co.snohomish.wa.us/index.htm

PART 4: DEVELOPING A BUSINESS PLAN

“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)

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-tos’ for developing a business plan; some library or online research through e-tailers (Amazon, Borders, etc.) will lead you to choices that work for your organization.

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

Some additional resources on business planning, including some samples, are located at:

- 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 non-profit business plan: www.ctcnet.org/resources/toc.htm
- A sample for-profit plan can be found at:
www.bulletproofbizplans.com/bpsample/Sample_Plan/sample_plan1.html
- The Scholarly Publishing and Academic Resources Coalition (SPARC) provides a business plan manual: www.arl.org/sparc/GI/toc/index.html

FOUR BASIC STEPS TO DEVELOPING A BUSINESS PLAN

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 non-profit 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: NON-PROFIT MANAGEMENT OBLIGATIONS

***“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.****

Tax-exempt non-profit 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. Non-profits must follow sound business practices in all these activities.

Non-profit organizations have additional obligations that for profit companies or sole proprietorships do not. There are specialized tax rules and accounting practices that apply to non-profit 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

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.metrokc.gov/assessor

Hiring and managing employees

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

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 non-profit job listing service: www.idealist.org
- PNN Online publishes jobs nationwide:
pnnonline.org/modules.php?op=modload&name=phprofession&file=index
- Northwest Development Officers' Association provides a job posting service at:
www.ndoa.org
- Exec Searches is a nationwide posting service for non-profits: www.execsearches.com
- Opportunity Knocks <http://www.opportunitynocs.org/>
- The first three job postings are free at:
http://www.thenonprofitnetwork.org/index.php?page=en_Home
- The first posting for nonmembers is free at the Society for Nonprofit Organizations:
<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 non-profit curriculum.

Many of these have periodic on campus job fairs, as well as publishing jobs on their sites:

- Bellevue Community College: www.bcc.ctc.edu/careers
- Seattle University: www.seattleu.edu/student/cdc
- University of Washington:
www.ischool.washington.edu/resources/career/default.aspx

ONLINE RESOURCES

**“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*.

MANAGEMENT INFORMATION AND GENERAL RESOURCES

- ‘Knowledge hub’ for non-profits, developed by the Non-profit Management Program of the Robert J. Milano Graduate School of Management and Urban Policy at New School University: www.newschool.edu/milano/acad_nonprof_mgt.aspx?s=3:2:3
- Leader to Leader Institute (formerly the Drucker Foundation): www.leadertoleader.org
- Non-profit Center: www.npcenter.org
- The nonprofit center: www.nonprofitcenter.com
- Center for Philanthropy and Nonprofit Leadership: www.npgoodpractice.org
- Free management library: www.managementhelp.org
- Minnesota council of Nonprofits Information center contains extensive information on governance: www.mncn.org
- Noted for quality of its research and information on best practices:
www.compasspoint.org
- This site focuses on strengthening leadership and fostering inclusiveness and collaborations: www.allianceonline.org
- Nancy Bell Evans Center - Management resources:
<http://tools.evans.washington.edu/research/nbec/web-resources.php>
- Capaciteria.org: <http://capaciteria.org/>

DEVELOPMENT RESOURCES

- NDOA www.ndoa.org
- Overview of nonprofit fundraising
http://www.managementhelp.org/fndrsng/np_raise/fndraise.htm#anchor258174

NONPROFIT ORGANIZATION DIRECTORIES AND JOB LISTINGS

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

GOVERNANCE AND BOARDS OF DIRECTORS

- BoardSource (formerly The National Center for Non-profit Boards): www.boardsource.org
- United Way of King County: www.uwkc.org/nonprofit/default.asp
- The Nonprofit Center: www.nonprofitcenter.com/
- Nonprofit Good Practice Guide: www.npgoodpractice.org
- Whatcom Council of Nonprofits: www.wcnwebsite.org/practices/index.htm

GRANTS AND FUNDRAISING

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

LOCAL LIBRARIES

- Seattle Public Library: www.spl.org
- King County Library System Nonprofit & Philanthropy Resources Center: www.kcls.org/philanthropy/

FINANCIAL MANAGEMENT

- Carolyn Cunningham at United Way maintains a list of bookkeepers that work with nonprofits: ccumingham@uwkc.org
- Washington Association of Accountants: www.waa.org
- The Financial Fitness for Nonprofits program at the Executive Service Corps of Washington includes training for non-financial managers and board members on nonprofit finances and model board policies. Contact ESC at 206-682-6704 or go online at escwa.org
- Accounting: <http://www.paperglyphs.com/nporegulation/accounting.html>
- Management Help: http://www.managementhelp.org/finance/np_fnce/np_fnce.htm
- Nonprofit Resource Center: <http://www.1800net.com/nprc/index.html>
- www.mapnp.org/library/finance/np_fnce/np_fnce.htm

LEGAL SERVICES

- Directory of pro bono legal services:
www.abanet.org/legalservices/probono/directory.html
- A lawyer referral service is available through the King County Bar Association (206-267-7100): www.kcba.org/ScriptContent/KCBA/LRS/index.cfm
- Washington Attorneys Assisting Community Organizations: www.waaco.org
- Washington Lawyers for the Arts: www.wa-artlaw.org
- Nonprofit Assistance Center sponsors legal clinics on the 3rd Monday of the month at Seattle University. Call for information and an appointment: 206-324-5850 x 10

VOLUNTEERS

- A wonderful site covering every aspect of volunteer management:
www.serviceleader.org

- People can find volunteer opportunities all over the country by zip code or area of interest: www.volunteermatch.org
- United Way sponsors a website www.volunteersolutions.org where people can search for volunteer opportunities by zip code or area of interest.

ABOUT EXECUTIVE SERVICE CORPS

ESC is a non-profit organization that provides leadership coaching, consulting, facilitation and customized training to non-profits, government, and schools on a reduced fee basis. ESC's 170+ consultants are people of all ages, most still in the workforce, who have skills they want to contribute to their community. Some have experience as senior managers or executives in business; others are professional consultants and people whose have professional experience as principals, non-profit executive directors, government leaders, or other non-profit professions. Before receiving services from ESC, the organization needs to have gone through this document, complete the interviews with other organizations doing work that is related to the nonprofit you want to start and identified at least three board members. Go to www.escwa.org to request consulting services or contact Executive Director Nancy Long at 206-682-6704.

ESCWA is a part of a national network of Executive Service Corps in many cities. To check for an affiliate in another state go to www.escus.org/where.html.

Some of the Services Offered by the Executive Service Corps

Strategic planning
Interviewing and information gathering
Organizational merger/ facilitation
Curriculum research and development
Financial policies and procedures, financial system reviews
Recruitment plans for staff, boards, advisors; transition plans
Development of evaluation tools
Leadership coaching
Personnel policies and salary schedules
Marketing, internal communications, and public relations
Meeting planning and facilitation
Governing board and advisory boards development
Project planning, management, and implementation support
Policy Governance ® workshops and facilitation of policy development

Executive Service Corps of Washington does not endorse any publication or product listed within this toolkit, and sincerely encourages potential non-profits and organizers to contact a lawyer familiar with non-profit law. ESC wishes you the best of luck in forming a non-profit!

CHECKLIST FOR STARTING A NONPROFIT

1. DECIDING TO START A NON-PROFIT

- Why not a business?

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

- Why not an informal org?

[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 non-profit?

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

- What kind of non-profit?

[Have studied options](#)

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

2. LEGAL STEPS

- 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

- Confirmed the name is not reserved

- Reserved the name for a short period

(ref: <http://www.nolo.com/article.cfm/pg/1/objectId/613C546C-746D-4161-B3D6053876E3D4EC/catId/7037786D-4688-4C4E-947C609C7CCFE81A/111/228/195/ART/>)
- Prepare and filed the Articles of Incorporation [Articles of Incorporation](#)
- Apply for Federal Employer Identification Number (EIN)

[Form SS-4: 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 (ref: <http://www.nonprofitlaw.com/bylaws.htm>)
- Develop a business plan (see below)
- Conduct an initial meeting of the board of directors
- Apply for non-profit designation from the IRS

[Form1023: http://www.irs.gov/pub/irs-pdf/f1023.pdf](http://www.irs.gov/pub/irs-pdf/f1023.pdf)
[Instruction: http://www.irs.gov/pub/irs-pdf/i1023.pdf](http://www.irs.gov/pub/irs-pdf/i1023.pdf)
- Obtain needed local licenses
- Obtained State licenses (follow [this instruction](#))
- Met county licensing requirements
- Obtained a business license from the city (refer to the website of each city)

ORGANIZATION NAME

Operating (or Business) Plan

Date

Prepared by

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SECTION 1: BACKGROUND

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

A. BACKGROUND

Problem the organization has been created to address

The cause of the problem

Current situation concerning the problem

B. MISSION

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

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

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

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?

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

GOVERNANCE

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

A. BOARD OF DIRECTORS

Must have at least 4 board members, including three not related to the founder. Insert names, addresses and titles of board members. List the name of the Executive Service Corps of WA (www.escwa.org)

president, vice-president, secretary and treasurer. Describe what types of board members will be recruited.

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

B. BOARD POLICIES

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

SECTION 4: OPERATING PLAN

A. DESCRIPTON OF THE PROGRAM

B. MULTI-YEAR STAFFING PLAN

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

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

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

Multi-Year Capital Costs	Year 1	Year 2	Year 3
Vehicles			
Computers			
Furniture			
Equipment			
Total			

Year 1 Capital Cost	No.	Price Per	Total
1.			
2.			
3.			
4.			
Part 2 Total			

PART 3: ONE TIME COSTS

One Time Costs	Amount
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) = _____

Exe

PART 4: ESTIMATED MONTHLY EXPENSES

Monthly Expenses	Total
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)			
TOTAL			

SECTION 6: ACTION PLAN FOR 1-2 YEARS

Action	Who is accountable	Due Date