

Thinking of starting a new Nonprofit?

A helpful guide to
get you started.



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Introduction

Starting a new nonprofit organization can be an exciting and fulfilling endeavor but requires careful planning and consideration. Here are some essential things to think about when starting a new nonprofit:

- **Mission and Vision:** Before starting a nonprofit, it's essential to have a clear understanding of your organization's mission and vision. What problem are you trying to solve, and what are the long-term goals you hope to achieve? A well-defined mission and vision will help guide your organization's strategy and decision-making.
- **Legal Structure:** There are different legal structures to choose from when starting a nonprofit, including 501(c)(3) organizations exempt from federal income taxes. It's essential to choose the proper legal structure that aligns with your organization's goals and activities.
- **Board of Directors:** A nonprofit's board of directors plays a crucial role in its governance and decision-making. It's essential to recruit a diverse group of individuals with relevant expertise and a passion for your mission.
- **Fundraising and Finances:** Fundraising is critical for nonprofits to sustain their operations and achieve their goals. You'll need to develop a fundraising plan and budget and consider how to generate revenue through grants, donations, and other sources.
- **Marketing and Communications:** Effective marketing and communications are essential to raising awareness of your nonprofit and attracting support. You'll need to develop a strong brand and messaging strategy, as well as create content and outreach materials that resonate with your target audience.
- **Staff and Volunteers:** A nonprofit's staff and volunteers are its most valuable assets. You'll need to develop a plan for recruiting, training, and managing staff and volunteers and ensure they align with your organization's mission and values.

Starting a nonprofit requires dedication, hard work, and a clear vision. You can lay the foundation for a successful and impactful organization by carefully considering these factors and developing a solid plan.

Purpose and Mission

Define the purpose and mission of your nonprofit organization. What are the specific goals you hope to achieve? What is the problem you want to solve, and what makes your organization unique in its approach?

- **Identify the problem:** Start by identifying the problem you want to solve or the need you want to address. Consider the root causes of the problem and its impact on individuals, communities, or the environment.
- **Determine your approach:** Once you have identified the problem, determine your approach for addressing it. What specific services or programs will your nonprofit provide? What makes your approach unique or innovative?
- **Draft a mission statement¹:** A mission statement should be clear, concise, and compelling, describing your organization's purpose and primary activities. It should answer the question, "What does our organization do?" Ensure your mission statement aligns with your organization's values and is easy for people to understand.
- **Develop a vision statement:** A vision statement should describe the future you hope to create through your organization's work. It should answer the question, "What impact do we hope to have?" Your vision statement should be ambitious and inspiring and provide a sense of direction for your organization.
- **Test your mission and vision statements:** Once you have drafted them, share them with others and get feedback. Test them with potential donors, volunteers, and other stakeholders to ensure they resonate and accurately reflect your organization's purpose and mission.

Your purpose and mission should be the driving force behind all your organization's activities. It should guide your decision-making, program development, and outreach efforts. By carefully defining your purpose and mission, you can build a strong foundation for your nonprofit and increase your chances of success.

¹ <https://boardsource.org/developing-nonprofit-mission-statement/>

Board of directors

Establishing a nonprofit board of directors involves several steps, including defining the organization's mission, identifying potential board members, and ensuring compliance with legal requirements. Here are some steps you can take:

- **Identify potential board members:** You can start by identifying individuals who are passionate about your organization's mission and have experience in nonprofit management, fundraising, or other relevant fields. You can also consider reaching out to community leaders or local business owners who might be interested in serving on your board.
- **Develop a nomination and recruitment process:** To ensure that you have a diverse and talented board, you should develop a nomination and recruitment process that includes criteria for selecting new members, such as expertise, diversity, and willingness to commit time and resources.
- **Establish a board structure:** Once you have identified potential board members, you need to establish a board structure, including the number of members, term limits, and roles and responsibilities.
- **Train and orient new board members:** Finally, you should provide orientation and training for new board members to help them understand their roles and responsibilities, the organization's mission and goals, and the legal and regulatory requirements of nonprofit governance.

Research

Conduct research to gather and analyze information about the need and demand for your nonprofit's services and programs, as well as the potential impact on the target population and the broader community. This research is important because it helps you identify gaps in services and determine the most effective strategies for meeting community needs.

Here are some key steps involved in conducting nonprofit market research when starting a new nonprofit:

- **Define your target audience²:** Identify the specific population or community you hope to serve and determine their demographic characteristics, needs, and preferences.
- **Gather data:** Use a variety of methods to gather data, including surveys, focus groups, interviews, and secondary research sources such as government reports and academic studies.
- **Analyze data:** Organize and analyze your collected data to identify trends, patterns, and key insights. Use this information to inform your nonprofit's programming and service delivery.
- **Develop a competitive analysis:** Research other organizations providing similar services or programs to identify their strengths and weaknesses. This analysis can help you identify potential partners and collaborators and areas where your nonprofit can differentiate itself and fill unmet needs.
- **Assess community needs:** Research the broader community to identify trends and gaps in services and to understand how your nonprofit can best contribute to the community's overall well-being.

By conducting nonprofit market research, you can gain a deeper understanding of the needs and preferences of your target audience and develop programs and services that meet those needs. This research can also help you identify potential challenges and develop strategies for overcoming them, ultimately leading to a more successful and impactful nonprofit organization.

² <https://wiredimpact.com/blog/determine-your-nonprofits-target-audience/>

Legal

Starting a nonprofit organization in California requires compliance with state and federal laws. Here are some of the legal considerations that should be taken into account.

- **Choose a name:** Choose a name not already used by another California nonprofit. You can check the availability of the name on the California Secretary of State's website³.
- **Incorporate:** You must file Articles of Incorporation with the California Secretary of State to incorporate your nonprofit legally. The Articles of Incorporation should include the organization's name, purpose, initial directors, and registered agent's name and address.
- **Obtain tax-exempt status:** To become a tax-exempt organization, you must complete either:
 - File Form 1023⁴ **or** 1023-EZ⁵ with the Internal Revenue Service (IRS). You should complete the 1023-EZ Eligibility Worksheet to determine the appropriate form to file for your situation.
 - *Basic Eligibility Requirements for the 1023-EZ: Gross income under \$50,000 in the past 3 years. Estimated gross income less than \$50,00 for the next 3 years. Fair market assets under \$250,000. formed in the United States.*
 - You may also need to file Form 3500A⁶ with the California Franchise Tax Board to obtain state tax exemption.
- **File annual reports:** Nonprofit organizations in California are required to file annual reports with the California Attorney General's Registry of Charitable Trusts⁷.
- **Comply with state and federal laws:** Your nonprofit organization must comply with California⁸ and federal laws, including those related to employment, taxes, fundraising, and board governance.
- **Obtain necessary permits and licenses:** Depending on your nonprofit's activities, you may need to obtain certain permits or licenses from local or state agencies.
- **Develop bylaws⁹:** Your nonprofit should develop bylaws that establish the rules and procedures for governing the organization. Bylaws typically cover topics such as board meetings, officer duties, and member voting rights.

³ <https://bizfileonline.sos.ca.gov/search/business>

⁴ <https://www.irs.gov/forms-pubs/about-form-1023>

⁵ <https://www.irs.gov/forms-pubs/about-form-1023-ez>

⁶ <https://www.ftb.ca.gov/file/business/types/charities-nonprofits/index.html>

⁷ <https://oag.ca.gov/system/files/media/ct1-form.pdf>

⁸ <https://www.oag.ca.gov/system/files/media/Guide%20for%20Charities.pdf>

⁹ <https://boardsource.org/resources/nonprofit-bylaws/>

Filing fees

The cost to start a new nonprofit organization in California can vary depending on several factors, such as the legal and administrative fees required to incorporate the organization, obtain tax-exempt status, and comply with state and federal laws. Here are some of the common expenses involved in starting a nonprofit in California:

- Filing Articles of Incorporation with the California Secretary of State¹⁰
 - Application fee: \$50
- Application for an Employer Identification Number (EIN)¹¹
 - Free
- Application for Federal tax-exemption¹²
 - \$275 for Form 1023-EZ
 - \$600 for Form 1023

This is only a guide and not an all-inclusive cost of the costs to establish a nonprofit corporation and then apply to the corporation have tax-exempt status from the IRS.

¹⁰ <https://oag.ca.gov/charities/forms>

¹¹ <https://www.irs.gov/charities-non-profits/obtaining-an-employer-identification-number-for-an-exempt-organization>

¹² <https://www.irs.gov/charities-non-profits/form-1023-and-1023-ez-amount-of-user-fee>

Establishing a Financial Plan

Financial planning is an important part of starting a nonprofit organization. Here are some steps you can take to develop a solid financial plan:

- **Develop a budget:** Start by creating a detailed budget that outlines all of your anticipated expenses and sources of revenue. This will help you understand how much money you need to raise and where it will be spent.
- **Identify funding sources:** Consider different funding sources, such as grants, individual donations, corporate sponsorships, and fundraising events. You can also explore crowdfunding platforms or partnerships with other organizations.
- **Create a fundraising plan:** Develop a comprehensive fundraising plan that outlines your fundraising goals, target audience, fundraising activities, and timeline. This plan should be reviewed and updated regularly as you launch and grow your organization.
- **Monitor and track finances:** Establish financial systems and processes to track and monitor all financial transactions. This includes creating a chart of accounts, tracking income and expenses, and producing regular financial statements.
- **Consider hiring a financial professional:** Consider hiring a financial professional to help you manage your finances and ensure compliance with regulatory requirements.
- **Plan for the future:** Develop a long-term financial plan that outlines your financial goals and strategies for achieving them. This plan should include projections for future revenue and expenses and a plan for building financial reserves.
- **Review and update regularly:** Review your financial plan regularly to ensure it remains relevant and effective. Make adjustments as needed based on changes in your organization's circumstances or external factors.

Remember that financial planning is an ongoing process, and it's important to remain flexible and adaptable as your organization grows and changes over time.

Marketing and outreach

Developing a marketing and outreach plan for a nonprofit involves identifying target audiences, setting goals and objectives, determining strategies and tactics, and measuring results. Here are some steps you can take:

- **Define your target audience:** The first step is to identify the groups of people or organizations that your nonprofit wants to reach, such as donors, volunteers, program beneficiaries, community leaders, or partner organizations.
- **Set goals and objectives:** You should establish specific and measurable goals for your marketing and outreach efforts, such as increasing donations, recruiting more volunteers, raising awareness about your programs, or building partnerships with other organizations.
- **Determine strategies and tactics:** Based on your goals and audience, you should determine the best ways to reach and engage them. This may include social media, email campaigns, direct mail, events, public speaking engagements, or media outreach.
- **Create a budget:** Once you have identified your strategies and tactics, you should develop a budget for your marketing and outreach activities, including expenses such as advertising, printing, venue rental, or staff time.
- **Assign responsibilities:** You should assign responsibilities for implementing the marketing and outreach plan to specific staff members or volunteers and establish timelines and deadlines for each activity.
- **Measure results:** To determine the effectiveness of your marketing and outreach efforts, you should establish metrics and track progress toward your goals. This may include tracking website traffic, social media engagement, email open rates, or donation amounts.
- **Adjust and refine the plan:** Based on the results of your marketing and outreach activities, you should make adjustments and refine your plan to improve its effectiveness over time.

Remember to be flexible and adaptable in your marketing and outreach plan, and to continuously evaluate and refine your strategies and tactics to achieve your nonprofit's mission and goals.

Disclaimer

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Appendix – Checklist for Establishing your new nonprofit

<input type="checkbox"/>	<p>Purpose and Mission (Page 4)</p> <ul style="list-style-type: none"> • Define the purpose and mission of your nonprofit organization. • What are the specific goals you hope to achieve? • What is the problem you want to solve, and what makes your organization unique in its approach?
<input type="checkbox"/>	<p>Establish the founding Board of Directors (Page 5)</p> <ul style="list-style-type: none"> • Identify potential board members. • Develop a nomination and recruitment process. • Establish a board structure. • Train and orient new board members.
<input type="checkbox"/>	<p>Establish your new nonprofit legal entity¹³ (Page 7)</p> <ol style="list-style-type: none"> 1. Determine the name of the corporation. 2. Draft and file the articles of incorporation. 3. Appoint the board of directors. 4. Draft the bylaws and board of director's conflict of interest policy. 5. Take the initial board actions. <ol style="list-style-type: none"> a. Adopt the bylaws and conflict of interest policy. b. Elect officers. c. Adopt a fiscal year (such as a year ending December 31 or June 30). d. Approve establishing a bank account. e. Approve applying for federal and state tax-exempt status. f. Approve reimbursement of startup expenses (if applicable). g. Approve the compensation of the executive director (CEO) or the treasurer (CFO) (if applicable). 6. Obtain an employer identification number (EIN).

¹³ <https://calnonprofits.org/10-feature-articles/201-step-by-step-guide-for-starting-a-california-nonprofit>

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| | <ol style="list-style-type: none">7. File the initial registration form with the California Attorney General's Registry of Charitable Trusts.8. File the Statement of Information with the California Secretary of State.9. Apply for federal tax exemption with the Internal Revenue Service (IRS).10. Apply for California tax exemption with the California Franchise Tax Board (FTB). |
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