Next Level Nonprofits

NLN Nonprofit Startup Checklist

Introduction

Not every nonprofit is set up to succeed. I should know.

The first nonprofit I created failed to raise any money. The second nonprofit I created raised money, but failed to keep going due to my lack of knowledge of nonprofit leadership and nonprofit requirements. It wasn't until I launched my third nonprofit that we raised over $1 million, and even then there were lessons to learn.

I've had a lot of success through my nonprofit career since, including starting 4 organizations personally, recruiting over 10,000 volunteers, and raising nearly $3,000,000 for good causes. I've learned numerous lessons the hard way about launching, leading, and creating impact with nonprofits, but if there's one lesson that has stuck out more than any others, **it's that everything comes down to how you start**.

This checklist is the compilation of lessons from over a decade of starting nonprofits, 4 personally and nearly twenty in addition to my own. It covers **the 9 key steps you must take to set up your nonprofit for success**, including clearly defining your problem, researching existing nonprofits, creating your mission, vision, and values, creating your first program, incorporating with your state, creating your governance documents, and filing for your 501(c)3 status.

Launching a nonprofit right is not easy. **It requires passion, determination, and patience to get it done right.** You have to do some soul searching, some market research, make some difficult decisions about where you will start, filing your nonprofit paperwork with the government, and likely getting some help along the way. However, if you start right, creating a nonprofit and seeing the deep impact it can make on the people you serve, your community, and even you, will bring a tear to your eye and you'll be a part of the best humanity has to offer.

If you're ready to launch an effective nonprofit, ready to be a part of solution to so many of the problems we face today, and ready to make a lasting impact on the people you want to help, your community, and even the world, dive in. It's time to get started.

P.S. I'm always happy to answer any questions you have about starting your nonprofit. If you have questions after reading this checklist, email me at dan@nextlevelnonprofits.us.

Dan Johnson

Chief Consultant,
Next Level Nonprofits
https://nextlevelnonprofits.us

Step 1: Define the Problem You Want to Solve

If you're considering starting your own nonprofit, the odds are, you really want to help people. In fact, you'd like to help as many people as possible. However, there are hundreds of thousands of problems to solve, there will always be new problems, and *there will always more people who need help than people helping*. That's why you need to start your nonprofit journey by clearly defining the exact problem you're in the best position to address, understanding who this problem affects, how it affects them, and how big this problem that you're tackling really is.

Choose a Specific Problem

No one can tell you what problem your nonprofit should focus on. It needs to be, first and foremost, something you're passionate about. Starting a nonprofit is hard, and this problem needs to be so important, so critical, and so intense that it drives you to work for years to make a difference in it. It also needs to be a problem that you are best positioned to solve, either through your experience, connections, or expertise. The only other important thing is that you pick a specific problem to solve, at least at first. Don't serve meals to the homeless, help veterans get medical care, and spay and neuter pets all at once. Pick one major impact you want your nonprofit to make on the world, the country, or your community and focus everything around that.

Identify the People This Problem Affects

Once you have a specific problem in mind, you need to identify who is affected by this problem. For example, let’s take homelessness. Who is affected by homelessness? Those who are homeless, sure. But also city employees, police officers, family of the homeless individual, citizens of the city, etc. **Each of these groups of people are potential volunteers, coalition partners, supporters, and donors.** Make a list of anyone you can think of who is affected by this problem.

Tip: Get a few stories from people who have experienced your problem that you can tell later. Stories are about the most powerful tool you have for encouraging new supporters to join your cause.

Identify How This Problem Affects Them

Then, you need to identify how this problem affects each of these people. For example, using homelessness, how are homeless people affected by not having a home? There is a lack of security, a lack of protection from the elements, it may be difficult to contact friends and family, they might feel isolated, it makes it harder to get work, etc. For city officials, homelessness reduces their city's attractiveness, increases drug use and crime, etc. Make a list of how this problem affects each individual you identified above.

Define the Scale of the Problem

Finally, you need to define the scale of the problem to the best of your ability. Unscalable problems are unsolvable problems. How many people are homeless in your community? How long have they been homeless? What does a major reduction in homelessness look like? Even if you’re only able to find a little bit of data, this data clarifies your case for solving this problem. It is much easier to support an organization that is working to end homelessness for 1,789 people in Raleigh than it is to support an organization that is working to end homelessness “in Raleigh.”

Step 2: Research Existing Providers

Once you have clearly defined the problem you want to solve, you need to identify how your approach will be different than the nonprofits that already exist. There are 1.5 million nonprofits in the United States today. While these nonprofits have gaps in who they serve, the issues they focus on, and the communities they are in, there are likely several nonprofits that either already address this problem in another community or are attempting to address it in yours. If you're going to get support, you need to be filling in a gap that isn't already being met by another nonprofit.

Research Nonprofits Nationwide Addressing Your Problem

You'll want to start by identifying the top nonprofits in the country addressing your problem, as they'll be the ones donors are most familiar with. Talk with people you know in the nonprofit space, use search engines like Google, nonprofit-specific databases like Guidestar, Charity Navigator, and GreatNonprofits, and nonprofit directories for specific issues. Look for gaps in what specific problems these charities address, who they help, and the communities they serve. Identify at least 2-3 potential gaps in what current nonprofits address that you could take on.

Research Nonprofits Serving Your Community

If there are already 5 homeless shelters in town, the odds someone is going to give to you are pretty slim. Once you've identified gaps in nonprofit services nationally, you'll want to check your community for other nonprofits that have attempted to address your problem. Search for nonprofits in your area that might address this problem using Google, Candid, Charity Navigator, Great Nonprofits, and other sources. Identify any nonprofits that offer similar services to see what needs are already being met and how you need to shift or change what you address in order to not duplicate their services.

How Do I Find Other Nonprofits?

If you're new to the nonprofit community, you may not know exactly how to find existing nonprofits that already address your problem. These are the top sources I'd recommend for nonprofit research:

Talk to Someone in Your Community - If you have any connections with people in your community who are already addressing the problem, ask them. They'll likely know exactly which nonprofits are the big ones addressing this issue, and can point you to them.

Contact Your State Nonprofit Association - If you don't know someone in the space, contact your state's Nonprofit Association. Tell them you are considering starting a nonprofit but don't want to duplicate existing services, and ask if they'd be able to point you to people currently working on your issue. Some Nonprofit Associations also have online directories of members. You can find your nonprofit association's website here.

Contact Your Local Government - Local governments usually have a pretty good idea of the nonprofit sector in your community, as they often work with these nonprofits to address various issues. Contact the government official you think would most likely be able to help, such as your city councilor, sheriff, or just call city hall directly and inquire.

Use Nonprofit Directories and Search Engines - If you're unable to get a personal connection to help you research nonprofits, you can use nonprofit directories, like Guidestar, Charity Navigator, and Great Nonprofits to help you find existing nonprofits. You can also Google "[Your problem] Nonprofit" or [Your State][Your Problem] Nonprofit." or use Google Maps to identify nonprofits in your community.

Step 3: Create Your North Star

Once you've clearly identified the problem you want to solve, and identified gaps in current nonprofit services, it's time to create your nonprofit's North Star: Your vision statement, your mission statement, and your values. These help focus your nonprofit on the outcomes you want, help you explain your nonprofit's goals to potential supporters, volunteers, and donors, and help you keep your nonprofit from being distracted away from what you want to achieve.

Create a Vision Statement

The first part of your north star is your vision statement. A good vision statement is a 1-2 sentence statement of what the world will look like when your nonprofit makes the change you want to make in the world. It tells donors what you seek to accomplish, excites volunteers to join your cause, and guide the actions of your staff for as long as your nonprofit exists.

A good vision statement should include who you're serving, what their outcome will be, and be concise, clear, and inspiring. Example formats might be: "Our vision is a [place] where [group I serve] are [three qualities they will have once I've been successful]." or "Our vision is a world where [opposite of the problem you solve.]"

Examples: "Our vision is a community where homeless people are treated with love, respect, and dignity." "Our vision is world where no child goes to bed hungry." "Our vision is a world where every child has access to a playground." Etc. More examples here.

Create a Mission Statement

The second part of your North Star is your mission statement. Your *vision statement* describes what the world will look like when you succeed, your *mission statement* describes how you will get there.

A mission statement is also a 1-2 sentence statement. Think about what needs to be done in order to achieve your vision. For example, if your vision is that no kid goes to bed hungry, what makes kids go to bed hungry today? What needs to be done in order to ensure that every kid goes to bed with a full stomach? Do people need to be educated about the problem? Do their families need extra food? Your mission statement should lay out the top activities you think need to be done to address this problem. It might read like this:

"Our Mission is to [things we need to do] so [group you help] can [achieve vision outcome.]

The mission and vision statements should read well together, so your potential donor goes "They do [mission] so we can achieve a world that is [vision]. Lots of great examples here.

Create 5-10 Values

The final thing you need to create is 5-10 values that you want your organization to carry through its work. Your vision statement describes what the world will look like when you succeed and your mission statement describes what you are going to do to get there. **Your values describe how you will act, and how you expect your people to act, on the way to your mission.**

Choose 5-10 values, like integrity, honesty, compassion, etc., that you want your organization to represent and that will help you stand out from other nonprofits in your space.

Step 4: Create Your First Program

Once you have defined your problem, identified gaps in nonprofit services, and created your vision, mission, and values, it's time to plan out the nuts and bolts of your nonprofit - creating your first program. The goal of your first program is *not* to help the most people possible. The goal of your first program is to quickly help people in a meaningful way. This momentum will help launch your nonprofit into the community and help you get clients, volunteers, and funding right away.

Note: Why only one program? What if I want to help people in many different ways? It's important to start with one program so you can manage it, market it, fundraise for it, and make a clear impact that will get you funding. Trust me, there's always more to a program than you think there will be. Starting a single program helps you learn more about who you serve, learn what works and what doesn't, and start creating quick impacts that build momentum for your nonprofit.

Identify Who Your First Program Will Serve

Of all of the people that are affected by your problem, who will you focus on with your first program? If you're helping the homeless, will it be homeless veterans? Homeless people in your city? Homeless families? Think about what other nonprofits both nationally and in your community serve, and look to pick a unique group of people for your program.

Identify the Smallest Possible Impact You Can Make

Once you've decided what group of people you'll serve, hopefully a group that no one else does, you'll want to identify the smallest possible, but still worthwhile, impact you can make on that group of people. **Your goal is to find something that will move you towards your vision, make a potential donor say "that's great!", and that you can do over and over again, and that you can complete in the first 30 days of your nonprofit launch.** Some examples might be:

Homelessness: Start with a cup of coffee with the homeless to make them feel loved and valued.
Food Security: Start by holding one free food giveaway per month and inviting members of the community.
Community Improvement: Repair a single park for the community to use.

Define How Your Program Will Work

Once you have your specific audience, you'll need to define how your program will work. There's a fantastic tool for this called a "Program Theory Logic Model" which helps you walk through your inputs (what will be required to run the program, like staff and volunteer time, money, etc), activities (what you will do in the program) outputs (what will be produced by the program (cups of coffee, hot meals, and impacts (how this program will affect the people you want to serve.) You can find that tool here.

Create Your Program Goals

Finally, you'll want to define your program's 1-year goals. You can create goals based on any of the program theory categories - you could create input goals (number of people you want helping with the program, amount of money raised), output goals (number of meals given out, etc.) or impact goals (specific impacts on people or the problem. Choose up to 5 goals you want to hit in the next year.

Step 5: Create a Nonprofit Operations Plan

The last step before you start filing your paperwork is to plan out the operations of your nonprofit. These are the things outside of your program that your nonprofit needs to operate properly, including marketing, fundraising, a team of people, and your budget.

Create Your Marketing Plan

The first thing to consider with your nonprofit operations plan is - how will people know you exist? You'll want to think about marketing your nonprofit. Here are some things you'll need to cover:

Who are your ideal clients, volunteers, and donors? Create avatars representing the ideal people you want to serve, have as volunteers and would likely give to you as donors. While you're creating them, ask yourself why each of these people will want to be in your organization. That will cover the how to market to them.

Where are they? What places (if they are local) are your ideal clients, volunteers, and donors? What online platforms do they frequent (Instagram, Facebook, TikTok, etc.) Who do they listen to that could get your message out to them (influencers, authors, podcast hosts etc.)

How will you reach them? How will you engage with your audiences? Will it be though organic marketing, like social media posts, email, earned media, etc.? Will you pay to market to them through social media ads, newspaper ads, billboards, etc.? Are there are special needs or disabilities this audience has that you need to accommodate for in your marketing?

What will it take? What do you need in order to do this? This is in terms of your marketing budget, marketing supplies (paper, paint), promotional materials (business cards, flyers), and software (Canva, Adobe Suite, etc.), and your marketing team (graphic designer, social media manager, PR manager.).

Create Your Fundraising Plan

Now we come to the most scary part of all, money. You'll need money to run your nonprofit. Even if you like doing the work, the work can quickly overwhelm you if you're not prepared. That's why you need a fundraising plan. Some questions you'll want to ask yourself are:

What is our 1-year fundraising goal? Once you've created your program and your marketing, you should have an idea of what that might cost to fund to hit your 1-year goals. Take that number and double it (for unexpected expenses, dropoffs of old donors etc.) and you'll have your fundraising goal.

Who are our ideal donors? What kind of donors do you want to target? Who do you think would be most likely to donate to your nonprofit? What kinds of individuals, businesses, or foundations would be interested in what you do?

How will you reach them? If they are local, will you contact them directly? Attend events they attend? Invite them to attend your event? If they are not local, will you reach out via email or phone, meet them at conferences, or advertise your cause to them online?

What do you need to get donations? Do you need to print up brochures or give away swag? Do you need a donation page on your website? How will donors donate - via your website, a check, or both? Do you need donation software? (The answer is likely yes.) Do you need to have thank you cards? (Yes, you do.)

Step 5 (Con't): Create a Nonprofit Operations Plan

Plan Out Your Staff

Once you have your program, marketing, and fundraising plans in place, you'll want to lay out your staff. Start by identifying all of the things that need to be done to run your nonprofit. Identify the team that needs to run your program. For example, for a homeless coffee program, you'll need team members to prepare the coffee, go and meet with the homeless, and take pictures and or video of the process. Identify the team that needs to run your marketing. You'll likely need a graphic designer, a social media manager, and someone to manage your website. Then, identify the team you'll need for fundraising. Do you need someone to help you manage your donor data? Do you need someone to help with donor outreach or grant writing? Finally, add any additional staff that aren't covered here, such as an office manager or assistant.

Then, decide if your staff will be volunteers, contractors, or employees. For most new nonprofits, all staff will be volunteers, but if you have the option, consider the value of a contract or employee for key positions. Especially for positions that are crucial for the success of the organization or where you need a reliable person to do things on-time, paying someone may help you get better results.

Finally, consider what kind of support you'll need for your staff. This could be a volunteer handbook, software, like a project management or volunteer management program, and insurance if you're dealing with any kind of on-the-ground services.

Create Your Budget

Finally, after you've planned out your program, marketing, and fundraising, you'll want to create a formal budget for fundraising, accounting, and filing with the IRS. List out each category and the expected yearly expenses for that category. Categories should include your program, fundraising, marketing, operations (anything needed that's not program, marketing, or fundraising) and startup costs including state registration, federal filing, and insurance. I would set aside $2500~ for reasonable startup costs. Just include all your projected expenses, and your projected revenues for the year, in a single spreadsheet.

Program: Anything you need to run your program. This could be supplies, services, and staff or contractor time.
Marketing: What do you need to market your nonprofit? This might include a website, printed materials, online advertising, etc.
Fundraising: What do you need to raise money? This could include fundraising software, printing, travel costs, etc.
Operations: What do you need to run your nonprofit overall? This might be an office or physical space, computers, software, or coaching and mentorship fees.
Startup Expenses: What do you need to file your nonprofit paperwork? This will likely include attorney and accountant services, and state and federal fees.

Once you've created your formal budget, the next steps are getting incorporated with the state and getting your 501(c)3 status.

Step 6: Incorporate with Your State

Whew! You're over halfway there! Once you have the foundation of your new organization - you've defined the problem you want to solve, identified gaps in nonprofit services, created your first program, and planned your operations, it's time to prepare your nonprofit to file with the state. To do this, you'll choose a name, create your articles of incorporation, and choose your board and your officers.

Give Your Nonprofit a Name

Choosing a name can be a very personal process, but the best names are designed around who they serve, not around you. Look at your unique value proposition and your north star and choose a name that best shows donors, volunteers, and those you serve what makes you different. Choose a few names and run them by friends and family, and if possible, your ideal client, for feedback. Make sure to reserve the name with your secretary of state so it's available when you incorporate your organization.

Note: Check your state and federal trademark databases to see if your preferred name is already in use before selecting a name.

Create Your Articles of Incorporation

This is a very important step. Unlike most businesses, which just have to file to incorporate with the state they are in, nonprofits are required to have articles of incorporation. Create articles that state the name of the nonprofit, the purpose of the nonprofit, the powers of the nonprofit, who is involved with your organization, and crucially contain both the tax-exempt purpose clause and dissolution of assets clause required by the IRS. The number one reason nonprofits get rejected for nonprofit status is because they are missing these clauses in their governing documents.

Select Your Board and Your Officers

Once you have your documents, you need to select your board and your officers. You are required to have at least 3 board members, plus two officers, a secretary and a treasurer. You may be required to have others (such as a vice-president) depending on the state, so check your state officer requirements before you file. The executive director runs your nonprofit (likely you), the secretary is responsible for taking minutes and keeping copies of all paperwork, and the treasurer is responsible for managing the finances of your organization. Board members can fill these roles as well, but the board president may not serve as either treasurer or secretary.

File with The State

Once you've written your articles of incorporation, you'll file your new nonprofit with your Secretary of State. You'll want to gather your articles of incorporation and your filing fee, and file your application to create your nonprofit corporation with your state. Make sure you submit your Articles of Incorporation with your application for approval.

Step 7: Create Your Governing Documents

While you're waiting for the state to approve your corporation, then you'll want to create your governing documents. These documents help you manage your board and organization, help protect your nonprofit from legal liability, and prepare you to file for your 501(c)3 status.

Create Your Bylaws

Once you've created your articles of incorporation and filed them with the state, you'll want to create your bylaws. Bylaws are the governing document of your nonprofit. Your bylaws should describe how board members, officers, and committees are elected and what they do, their financial powers and responsibilities, and transparency requirements.

Create Your 4 Key Policies

Next, you need to create 4 key policies for your nonprofit to protect your organization and gain quick approval from the IRS. You must have a conflict of interest policy, which describes how to avoid conflicts of interest, a whistleblower policy which protects those who report wrongdoing in your organization, a document retention policy that defines how long documents will be available for the public to request, and a nondiscrimination/harassment policy that lays out how your organization will handle allegations of discrimination and harassment.

Hold Your Organizational Meeting

After you receive your articles back from the state, you will hold an organizational meeting with your board to approve your articles, bylaws, and policies. You'll take minutes to record each vote, and then have board members sign all documents to ready them for submission to the state.

Step 8: Prepare for File for 501(c)3 Status

We're almost there! Being approved by the state makes you a nonprofit corporation, but it does not make you a tax-exempt nonprofit. For that, you'll need to apply for tax-exempt status at the federal level. In this step, you'll prepare your Form 1023 and attachments for filing.

Note: There are two forms you can file for exempt status - Form 1023 and Form 1023 EZ. While many nonprofits choose to file Form 1023 EZ, given that it has lower filing costs, the costs often outweigh the benefits. Nonprofits that file Form 1023 EZ are limited to raising only $50,000 in revenue, are far more likely to be audited, and many funders limit grant opportunities to only nonprofits that have filed the long form. The short form also makes it difficult to understand the requirements the IRS has for your nonprofit. For those reasons, this guide focuses on making the long form 1023 as easy to complete as possible.

Review Form 1023

To start your federal filing, you'll want to download and review Form 1023 - The Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. This is the form you will file to get your tax-exempt 501(c)3 status. Review the form to get an idea of what you'll need to fill out in order to file. Take special note of any questions that will require additional explanation and the the required attachments. You can download a fillable form here if you want to fill it out as you go.

File for a Federal Employer Identification Number (FEIN)

After you've reviewed form 1023, you'll want to apply for a Federal Employer Identification Number. This number allows the IRS to identify your individual business at tax time. The fastest way to do this is online, and the IRS has an application that makes it incredibly easy - We've written a 5-minute guide on how to do that here.

Choose Your National Taxonomy of Exempt Entities (NTEE) Code

The National Taxonomy of Exempt Entities is a database that categorizes every nonprofit in the United States by the type of activities it carries out. This will help you get the right grants and help the IRS categorize your organization appropriately. You can have the IRS pick one, but once you get it. It's very difficult to change, so you'll want to pick this one out yourself.

Create Your Narrative of Activities

Finally for this week, work on your narrative of activities. This helps the IRS agent who is reviewing your application understand how your nonprofit works and what you do. This should be about 2 pages. You'll describe the problem you're solving, your vision, what your solutions are, and how much time, resources, and effort you plan on spending on each of these. The great news is that if you've picked a specific problem, identified what makes you different, and created your north star, this part should be a cinch.

Create Your Projected Budget

Finally, you'll need to create your projected budget. For this, you'll take the formal budget you created earlier, add your budget items to the appropriate IRS categories, and project that budget for three years. (If you're having trouble, just multiply by 120% for each additional year.) This budget is a guess, you're not legally required to hold to it, but you should give it your best guess. There are specific categories you must include, and I recommend getting a professional to help ensure you are properly setting up your budget.

Step 9: Get Your 501(c)3 and Start Fundraising

It's time to file! Make sure you have all your ducks in a row and file your Form 1023 so you can start raising money for your new nonprofit.

(Optional) Create Your Expedite Letter

An expedite letter is a letter that gives the IRS a compelling reason to approve your nonprofit faster than others. A *compelling reason* is an upcoming grant or gift that is required to sustain your operations that you will not get if you don't get your nonprofit status sooner rather than later. If you want to get your nonprofit approved quickly, having a pending gift will allow you to attach an expedite letter to your application which may get you approved faster.

Gather Your Form 1023 Attachments and Explanations

The key to a successful 501(c)3 application is to make sure your attachments are all present. Make sure the following attachments are in your Form 1023 application:

1. Your Expedite Letter (Optional)
2. Detailed answers to any questions that required explanation
3. Your Articles of Incorporation (Signed) and Certificate of Incorporation
4. Your Bylaws (Signed)
5. Your Conflict of Interest Policy
6. Your Narrative of Activities
7. Your Projected Budget

File Form 1023

The final step is to file Form 1023, your application for nonprofit status! Gather your certified articles of incorporation, your signed bylaws and policies, your narrative, budget, and expedite letter, and merge them into one long document with a table of contents. Then, go to https://pay.gov and fill out Form 1023, copying and pasting what you've previously created as you go along. Pay the filing fee, file your nonprofit, and wait for IRS approval. You can check the estimated wait times for your nonprofit here.

Best of all, because the IRS will backdate your approval to your application date, you can start fundraising right away, tax-exempt, as a 501(c)3 pending nonprofit.

That's it! **Once you check off every item in the checklist, you've started your nonprofit.** Keep an eye out for future guides on marketing, building a volunteer program, tracking your impact, and fundraising.