Want to Start A Non-profit? Here Are A Few Questions To Ask

We've all seen it. The article featuring a multi-million dollar non-profit founded on a 150 dollars, a pack of gum and a dream. The founder who fought the odds, the downturns, and perhaps even a den of wild lions, to ensure that the vision was fulfilled. With each passing year we read these stories with increasing regularity. So much so that you can begin to think "Well, I've had an idea like that for years. Look what they did, why can't I?" You ride this wave of inspiration through incorporation, tax exemption, and just as it begins to fizzle out (oh, and it will fizzle out) you realize that you probably should have taken a little bit more time to assess the entire situation. Take solace, it happens to the best of us. When buzzwords like charitable, hero, inspiring and life-changing are thrown about, it becomes real easy to forget that a non-profit corporation is in fact a corporation. A business like any other, except for a slight philanthropic spin.

But often times, founders tend to see a non-profit as something separate and apart from that of a stereotypical "business." And by doing so they run the risk depriving the organization of the same planning, deliberation and foresight that might have otherwise been put into say, opening a clothing store. There are certainly things unique to non-profit organizations that make them an interesting enterprise. To say the least, the passion for the cause, and the fulfillment derived from knowing that lives are being changed. But passion and fulfillment alone will not keep an organization running. The keys to success are found in ample planning, preparation and awareness which only comes with reflection and asking the right questions. Here's a head start…

Questions to Ask

1. Is it really necessary?

Yep, I'm going to come out swinging. The very first thing you should ask is whether starting an organization is even necessary. I can't count how many times I've heard people cite the number of existing non-profits as a reason why there shouldn't be more (if you're curious, a 2009 census poll recorded 1,581,111 non-profit organizations in the U.S.) And though this reasoning drove me absolutely nuts, the numbers do cause one to pause and ask. Does there really need to be another organization? Specifically, does the community really need your organization? And if so, why? If there is another established organization that does EXACTLY what it is you are trying to do, or serves the EXACT same community you are trying to serve, what is the harm in collaborating? When looking at necessity, be honest with yourself and always keep the interests of those you seek to serve in mind.

2. How Much Does It Cost To Start A Non-profit?

Ironically, starting a non-profit can be a pricey proposition. There are costs associated with filing for incorporation and, in some states, costs associated with things such as name reservation or name searches. To file for federal tax exemption the application itself will run 400 to 850 dollars. And lest we forget state taxes. Once exempt from federal taxes you then have to determine what state taxes you will be exempt from and what state taxes you may still be responsible for. There may also be municipal or local taxes to think about as well.

3……And To Keep A Non-Profit Going?

Along those same lines, once you're incorporated, exempt, and taxes are in order you can't forget the non-legal expenses you'll have to allocate for such as a logo, business cards, website creation, website hosting, stationary, etc. There will also be general operating costs. Things such as printing, phone lines and travel will all have to be taken into consideration.

4. Do You Have the Know-How?

As I said before, one must always remember, a non-profit corporation is a corporation. That means that at the end of the day, you are running a business and it is paramount that your knowledge base be no smaller then if you were endeavoring into a for-profit business. As with anything, you don't have to know every law and regulation on the books. However, you are expected to take the time to familiarize yourself with the laws necessary to run your organization responsibly. For example, some states require that articles of incorporation contain specific words. Are you

aware if your state does, and if so, what these words are? Once exempted, are you aware of how non-profits typically lose their tax exemption status? If your organization is within a certain industry there may be specific laws that apply to you. For example, if dealing with food have you ensured that you have all the proper licenses and permits? Far more than a cliche, ignorance of the law truly is not an excuse and if there is something that you don't know, you're expected to retain the individuals necessary to get the requisite knowledge.

5. Do You have The Funding in Place?

A common misconception I see consistently with new organizations is the belief that there is a wealth of grants out there just ripe for the picking. Particularly, if an organization involves a niche community or service. Well, to put it succinctly...there ain't. There's been no shortage of articles written and reports released addressing the continually shriveling pool of private and federal grant money. Consequently, the days of raining grants cupcake sales have passed. Now more than ever, organizations have to ensure that they've got a robust and diversified income strategy in place and it's always better to have this strategy in place before you take on expenses than after.

There are, of course, a dozen more questions that could and should be asked when deciding to create a non-profit. And by no means are the questions posed above meant to serve as discouragement. The important thing to understand is that all the answers don't necessarily have to be had at once. But the ability of your organization to start off on a strong foundation, and continue its growth, will be greatly reduced if you decide to put blinders on. Before venturing to save the world, always make sure to take the time to ask the right questions and save yourself alot of head-ache first.