

## **Always ask WHY?**

.... Before thinking of starting a new business.

*By Deborah Stanley, President/Senior Consultant, The NonProfit Resource Group*

Several times a year we are approached by someone who has either started a nonprofit or is considering it. Reasons vary from a personal trauma to simply the desire to own their business. Sometimes the reasons are sound and valid but too often the group or individual has not thought it through. This article may seem brutal but too often these ventures fail because those kind-hearted souls haven't answered the **whys**.

### **Why..... are you starting a new business?**

Nonprofit is simply the IRS designation for a business venture. Make no mistake, you are starting a business. So think about it.... Would you put up a flower shop on the corner without having a valid business plan? Would you hang out your shingle as an attorney without the degree? Most reasonable people would say no. Yet every day someone completes the paperwork to start a new nonprofit without a comprehensive business plan that evaluates every angle including financial support. In the nonprofit community, we also call this your case for support. It must be the first document you complete and should answer....

### **Why..... you?**

Is there a glaring problem in the community that you have the ability to solve that no one else can? Every community organization fights for funding. Without collaboration, this fighting becomes detrimental to the community that you are dedicated to serve. Who else is working on a solution to the problem? What IS the problem? Just as the flower shop would not put a store next to another flower store, don't duplicate the efforts of another in the hope that there is enough funding to go around. There isn't.

### **Why..... now?**

Once you have put together your business plan and identified the problem/solution, ask yourself how much time you are willing to invest in moving this project forward. And realize that it is highly unlikely that you will see funding for the first year.

### **Why..... not?**

The world would be a bleak place if people are not willing to take the risk. If Andrew Carnegie had not founded the United Way, thousands of programs would be lost today.

Once you have written a business plan - including a three year budget - show it to some trusted people and get their honest insight. Make the necessary corrections and then show it to more people. These people may become your founding board of directors. You will need at least three directors, including the founder.

Once you have a solid plan including a diagnosis of the community problem and your qualifications to solve it, you have a strong foundation to complete the IRS paperwork. There are a lots of resources to help you with the filing, LegalZoom being one of the

favorites. It is critical to remember that it can take up to a year to gain your nonprofit status and you cannot solicit deductible donations without it.

The specific steps to follow include:

1. Write your business plan. Identify potential funding sources. Establish your mission and objectives. Be specific.
2. Seek legal counsel on filing incorporation paperwork. It is worth the investment.
3. You can find sample articles of incorporation on the internet but you should still seek legal counsel on certain areas.
4. Be sure to check availability of your corporate name prior to filing paperwork.
5. Select your initial board of directors. At a minimum you must choose a president, secretary and treasurer.
6. Prepare your by-laws. Again, sample by-laws can be provided. These by-laws provide the internal operations and rules of the organization. They must be filed with the IRS and state tax exemption form.
7. Open corporate bank accounts.
8. Select insurance broker for directors insurance and other needs. Your attorney can advise.
9. Submit to the IRS your tax exemption application. Once this is approved, you will receive a letter known as the determination letter.

The NonProfit Resource Group can help you develop your business plan, write by-laws and other documents and help interview potential board members and community alliances. The key is to fully realize the implications of this endeavor, be patient and prepared.

Good luck!

*For more information or to request a proposal for services, please contact Debbi Stanley at [dstanley@npresourcgroup.com](mailto:dstanley@npresourcgroup.com) or visit us on the web at*

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