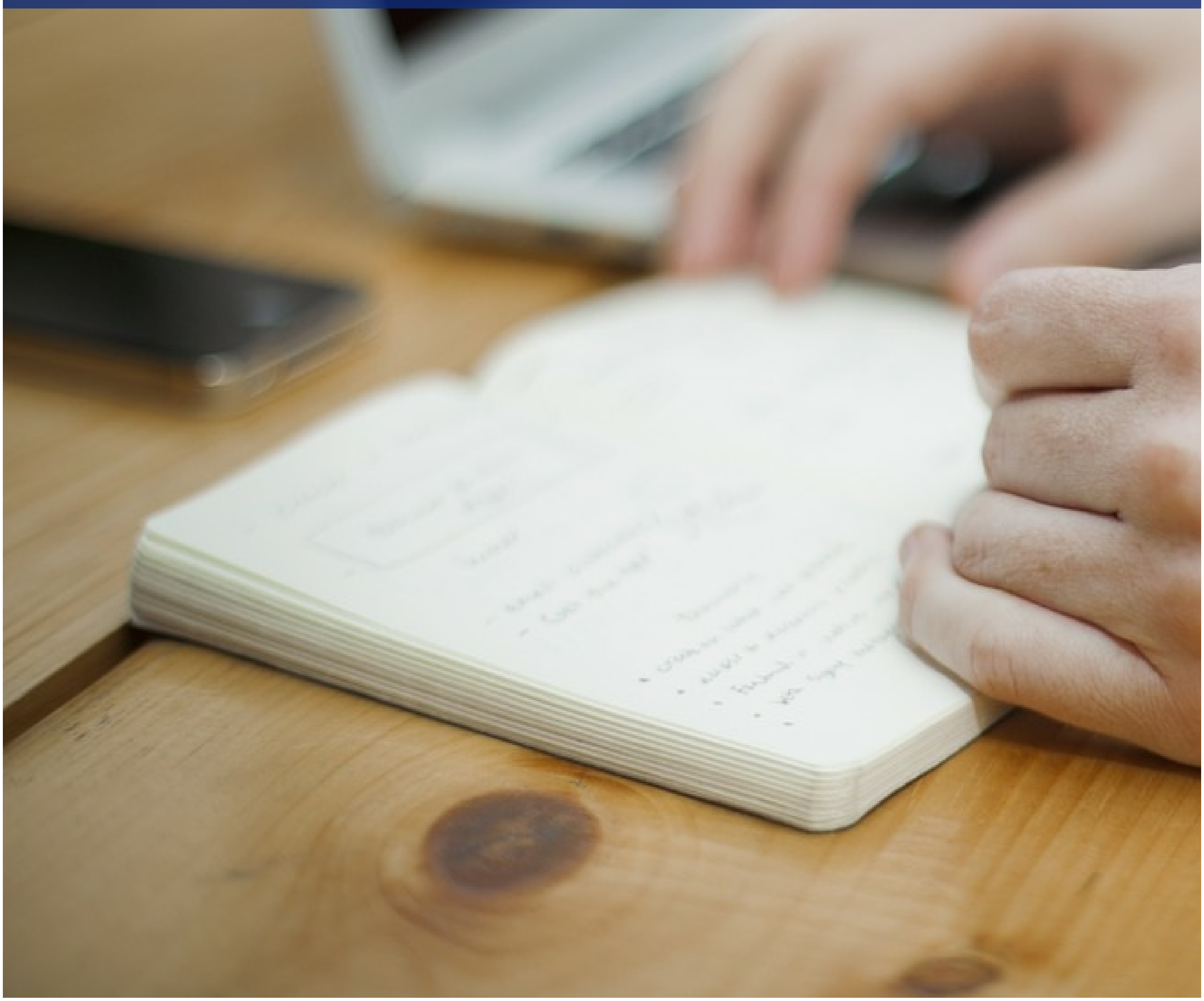
Foundation Group® presents

Successfully Starting a New Nonprofit

How to navigate 10 issues and challenges facing every social entrepreneur



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Introduction

Thank you for downloading this eBook. We hope it brings you value as you seek to start a nonprofit organization.

First of all, congratulations on seeking to start a nonprofit. Speaking as someone who has had a hand in starting thousands of them, and working in many others, it is an immensely rewarding endeavor.

But starting a nonprofit isn't for the faint at heart. I'm guessing you probably know that already. Our goal with this eBook is to educate you about 10 of the most important initial issues you will encounter.

Objectives

Here's what you'll learn:

- The differences between starting a nonprofit vs a typical business
- How to structure your board of directors
- How to get funded!
- Get off to a good start with the IRS...and stay there!
- And much more...

We love nonprofits, and those that run them. Whatever you envision starting, we wish you the best of success!

Warm regards,

Greg McRay, EA
Founder & CEO

Issue #1: Define Your Nonprofit Purpose

"Without a clear mission, you risk starting an organization with no feasible roadmap for success."

There are many reasons why people decide to start nonprofits. Some have a general sense of wanting to help others. Many have been personally affected by a societal ill - cancer, disease, natural disaster, lack of access to basic needs and resources - and want to contribute to solving the problem. Others may want to organize financial resources toward a cause.

Whatever the motivating factor, the most important step toward successfully impacting your cause is clearly defining your mission, outlining both ***purpose*** and ***programs***. Without a clearly defined mission, you run the risk of IRS rejection of your 501(c)(3) tax exemption application. But more importantly, you also run the risk of starting an organization without a feasible and sustainable roadmap to success.

Defining Your Nonprofit's Purpose

When defining the purpose of your organization, ask yourself the basics of journalistic investigation: **Who**, **What**, **Where**, **When**, **How** and **Why**:

- Why am I starting this nonprofit?
- What is the mission of my organization? What wrong am I trying to right? What values will drive my organization’s activity?
- Who is the target or beneficiary group that my organization will impact? Who will administer the services and resources my organization will provide? Who are the stakeholders that will help to galvanize support for my organization? Who are my board members and potential staff?
- How will I accomplish my mission? What are the programs that we will run, or the grants that we will administer? How will we pay for the programs and services we administer? How will we raise funding for operations?

- Where will we accomplish our mission? Is it a local community initiative, a state or regional initiative, or national/international in scope?

One you have the answers to these questions, you can begin to flesh out a three-year **plan of action** for your organization, including potential activity milestones, impact goals, budget figures and other details.

Defining Your Nonprofit Programs - A Preliminary Action Plan

Your three-year plan of action will not only be an indispensable guide to help direct your activities after receiving tax exempt status, but much of that plan will need to be disclosed to the IRS in your 501(c)(3) application. There are many additional benefits to fleshing out your three-year plan, including but not limited to the following:

- **Feasibility** - By defining your purpose and clearly outlining your program plans for the first three years, you will get a good idea of whether or not your plan is realistically achievable. You can begin to map out human resources needed, program-related costs, fundraising goals, and next steps to achieving your mission.
- **IRS Compliance** - While the IRS will not overly consider the feasibility of your plans in the process of reviewing your 501(c)(3) application, the impact goals and governance of the organization will be paramount. You will need to be able to prove that your organization is not conducting commercial activity for private gain, including potential private benefits to founders.
- **Sustainability** - Once you've determined that your plan is feasible and IRS compliant, you need to take a step back and consider your plan from the perspective of your community stakeholders. Can you generate enough public interest that you will get the support you need to keep the organization going? Is the scope of the mission large enough and specific enough to help you gain board members, major donors, grants, volunteers and funding?

Answering these questions and preparing a detailed purpose and program plan are the first steps to setting up a sustainable organization with lasting impact.

Issue #2: Nonprofit Ownership & Control

"There is no such thing as ownership of a nonprofit."

For a visionary individual who wants to start a nonprofit, the concept of ownership can be a tricky one. You're a founder on a mission, with big ideas to help solve problems in your communities, and you want to retain as much control as possible of the organization into which you're investing your time and resources. However, unlike a for-profit corporation which grants ownership of the company's assets and profits to its shareholders, ***there is no such thing as ownership of a nonprofit***

A nonprofit is a *public* organization that belongs to the public at-large. Typically, it is controlled by a governing body of stakeholders called the **Board of Directors**. This group is accountable to the public, via state and federal regulatory agencies like the IRS, for ensuring the activities satisfy a charitable or other non-commercial purpose.

For-Profit vs. Nonprofit

In a for-profit company, shareholders, members or partners with an ownership stake make controlling decisions for the organization. In that context, control is an expression of ownership, and owners share in any profits that the corporation generates.

However, in a nonprofit corporation, there are no profits to be distributed, so **fiduciary duty** (financial accountabilty) rests with the Board of Directors. An important point to understand about nonprofits is that, *by law,* all assets are permanently dedicated to a charitable purpose. This helps explain why the residual assets must be distributed to another qualified nonprofit organization(s) should the it ever wind down it's operations.

The reasons why there is no ownership of a non-profit are three-fold:

- In an organization designed for the greater good, no single person should have

total control. This provides checks and balances to prevent abuse of power.
- In a **public charity** in particular, shared governance is required by law and should be held by a diverse group of people.
- To ensure the longevity of the organization, best practices dictate that control of the organization should rest with members that can plan for succession and continuity.

It is very likely that you, as the founder of your nonprofit, are highly passionate about your potential impact and want to retain maximum control of the organization in order to ensure success. The important thing to remember is that your vision for social good must extend beyond the scope of your influence as an individual, so that if anything happens to you personally, the organization is well-equipped to continue good stewardship in your absence. Involving your key stakeholders - community members, constituents, funders or similar - as you craft your purpose and programs will ensure that your organizational vision is comprehensive in scope and prepared for success.

Issue #3: Nonprofit Structure: Public Charity, Private Foundation, or Private Operating Foundation?

"The right category of 501(c)(3) for your nonprofit depends on which setup best enables your organization to achieve its goals."

Once you know the purpose of your nonprofit organization and have an understanding of your desired ownership and controls mechanism, it is time for you to choose the type of 501(c)(3) that best represents your organization's planned operational structure. There are two main types of nonprofits, **public charities** and **private foundations**, and then there is a third, less common type of nonprofit called a **private operating foundation**. The biggest difference between the two main types are that public charities primarily raise funds from the public to operate programs in their area of impact, while private foundations are typically designed to give away funding to other charities or individuals.

Public Charities

A public charity is designed for one purpose - to operate programs directly benefiting the public. As such, the IRS requires public charities to meet this designation in three ways. First, the IRS requires that a public charity restrict its activities to one or more charitable purposes. Secondly, public charities must obtain no less than 1/3 of their funding from the public, either individuals or other public charities, as opposed to private foundations, corporations, or major donors. This is known as the **"public support test".** This means that gifts from individuals (small donors giving no more than 2% of the nonprofit's annual operating income) or public charities should comprise no less than 1/3 of the annual operating budget.

The third qualification of a public charity concerns the governing board of directors. In a public charity, individuals related by blood, marriage or business coownership must comprise less than 50% of board seats. Additionally, while members of this board may be employed by the organization they govern, there are strict rules that such decisions must be **at arms-length** and without private benefit to insiders. As such, a quorum (minimum number of participants required to make a meeting or vote valid) must be possible without including any board members related by blood or business association. This is the **"organizational test"** to qualify as a public charity.

Private Foundations

Conversely, a private foundation is usually designed for the purpose of financially supporting other public charities, rather than directly operating charitable programs. This comes with some potentially reduced financial benefit to donors, e.g. only up to 30% of annual income is tax-deductible when donated to a private foundation versus up to 50% of income for public charities. There is also a requirement that a minimum 5% of asset holdings are distributed each year. Another tradeoff is stricter limitations on board member employment within the foundation.

However, in exchange for these restrictions, private foundations are allowed to be **closely held** and **closely funded**. There are no regulations prohibiting majority control by family members or business partners, nor any requirement of fulfilling a public support test. Additionally, the 5% asset distribution requirement may be fulfilled by self-run programs.

Private Operating Foundations

The third type of 501(c)(3) organization is the private operating foundation, which is a hybrid of the above two organizational setups. While a private operating foundation can be closely held, and have funding from a limited number of sources, the private operating foundation must operate programs directly benefiting the public, and cannot consider giving away funding as a program. In exchange, the private operating foundation allows public charity levels of tax deductibility for donors. There are relatively few of these types of nonprofit organizations, but they do allow flexibility for closely held nonprofits that want to directly run charitable programs.

Making the Decision

All forms of 501(c)(3) organizations have transparency rules, and a closely held organization is not any guarantee of privacy or lack of accountability with the IRS.

The donating public must clearly understand the control and governance mechanisms of the organization. But each nonprofit organizational setup has its benefits and limitations. It’s typically harder for private foundations to raise outside funding because the perception is that the lack of a diversified board gives donors less control over the use and distribution of their donations. Public charities and private operating foundations are held to a strict expectation that their funding be used to run programs directly benefitting the public, with less flexibility.

There are no hard and fast rules regarding what type of 501(c)(3) is best for your organization. It depends on which setup best enables your organization to achieve its goals.

Issue #4: Setting Up Your Nonprofit Board of Directors

"The most important question you should ask when assessing board prospects is: does your prospective board member have a passion for the mission of your organization?"

When you start a charitable organization, one of the most important decisions you'll make is selecting your board of directors. Your board is legally responsible for governance, fiduciary, and strategic oversight of your nonprofit corporation. This usually includes ratification of your initial bylaws, as well as overseeing budget management. The board has an obligation to the donating public for ensuring that the nonprofit stays on mission and operates effectively.

How to Choose Board Members

The most important question you should ask when assessing board prospects is: does your prospective board member have a passion for the mission of your organization? If they're not willing to give their time, money, and resources, they're not a good fit. Board members should also have some business skills and be willing (and able!) to help make financial decisions. It can be tempting to seek wealthy or prestigious names to join your board, but if they are not people of action and enthusiasm, they will be a detriment to the organization. It should go without saying that board members should have integrity and value compliance and transparency.

It is also important to consider your board as a unit when identifying board prospects. Remember, family members and business associates cannot make up a majority of a public charity's board. Another important consideration is the range of skills and experience that your board represents. Ideally your board will represent a diversity of skills that will help support all areas of your nonprofit - fundraising, governance and programs. Even on a private foundation board, which allows for much closer relationships, having a healthy representation of necessary talents is still vitally important.

IRS Requirements & Other Details

The IRS generally requires a minimum of three board members for every nonprofit, but does not dictate board term length. What is important to remember is that board service terms aren't intended to be perpetual, and are typically one to five years. Service terms must be outlined in the nonprofit bylaws. New board members are typically nominated and given an up or down vote by existing board members in traditional organizations, and by stakeholder vote in nonprofits that operate via membership.

The IRS expects (and state law usually dictates) that a board of directors should meet a minimum of once a year, and best practices suggest four times a year. During these meetings, the annual budget is passed, and operational and strategic decisions requiring votes are discussed. It is important to remember that the board of directors is responsible for the governance of the nonprofit, not the management.

Strategy & Governance

The board is tasked with setting the strategic direction. It should not be involved in the day to day management of the nonprofit. In small organizations, when it is typical for the Executive Director of the nonprofit to also occupy a board role, it’s especially important to mind this difference. This is the key difference between governance and management. Governance oversees operations, approves the annual budget, and sets strategic goals. Management, on the other hand, makes the day to day tactical decisions that help the organization achieve those goals.

Issue #5: The Dangers of Nonprofit Inurement and Private Benefit

"The best way to prevent inurement in your organization is to set clear conflict of interest policies for your organization and to follow them"

As a company, the Foundation Group team works with over 1,000 new, startup nonprofits each year. One of the biggest and most frequent challenges we face when working with clients is **conflict-of-interest** concerns. New 501(c)(3) organizations are particularly vulnerable to this for a number of reasons, chief among them being the relative concentration of control in the early years. Conflict-of-interest is often hard to avoid in these situations, *and even occasionally advantageous to maintain*, while the organization is getting its sea legs. What you have to avoid at all costs, however, is allowing conflict-of-interest to devolve into **inurement** and **private benefit**.

What is Inurement?

The term inurement is defined as an insider in a nonprofit unfairly benefiting from a nonprofit's resources by virtue of position. In other words, an abuse of power resulting in personal gain from a nonprofit's assets. The most common offenders tend to be nonprofit employees that also hold board seats, but can extend to any board position or employee. Being found guilty of inurement in an audit can result in penalties at the state and federal level. These penalties can include fines, called *intermediate sanctions*, and may even result in the loss of tax exempt status in the most extreme examples.

Types of Inurement

The most common types of inurement are excess compensation and the improper use of assets. Excess compensation is any salary or wages deemed above what the IRS considers "reasonable" for the job in question. Examples of improper use of assets could include using company vehicles for personal travel, using lines of credit for personal expenses, or using a company mailing list to promote a personal business. In the worst cases, these infringements involve criminal liability. Plainly put, all insider crime found in nonprofits is inurement. But not all activities defined as the IRS as inurement are criminal in extent.

Inurement can be found in both public charities and private foundations. Public charities can be guilty of this when proper arms-length procedures are not followed when dealing with insiders. For example, a board member who is also a paid employee should have no input into their own compensation. Charities guilty of this are potentially subject to those intermediate sanctions penalties. Private foundations, on the other hand, aren't held to the same standards of arms-length dealing due the allowance for close control, even by members of the same family. As a result, the IRS considers officers, directors, and significant contributors of a private foundation to be *disqualified persons*. Such individuals are barred from employment within the organization, except for a limited ability to provide professional services for a reasonable fee (legal, accounting, investments, etc.). Ironically, the IRS calls these *personal services*, though the phrase is defined to mean what is typically credentialed professional work. The bigger point to know is that the IRS penalties associated with inurement and private benefit is always painful, even more so when dealing with disqualified persons.

Preventing Inurement

The best way to prevent inurement in your organization is to set clear conflict of interest policies for your organization and to follow them. These policies include tying executive compensation to comparable salaries for organizations of similar size, and setting clear expense reimbursement policies. Best practices also include requiring board members to disclose any potential conflicts of interest in operational matters, and to properly recuse themselves from voting on these items.

Taking the time to ensure these measures are followed are the best ways to ensure that your nonprofit organization is secure in its tax exempt status.

Issue #6: Nonprofit Fundraising Basics

"For most startup nonprofits, building a broad donor base of individuals that can give at a variety of levels is the best way to sustainably grow your organization's programming resources."

One of the most important things that a nonprofit can do to build a sustainable organization is to develop a robust fundraising system. Funding for nonprofits typically comes from three sources: **donations**, **grants**, and **program revenue**. Each of these sources has benefits and limitations, but a critical thing for nonprofits to remember is that they must diversify their funding sources to ensure budget continuity in case any funding source goes dry.

Public Donations & Grants

Grants, while they often provide larger funding sums to support specific programs, are a less reliable source of funding and should be considered supplemental to individual donor gifts. Grant funding is extremely competitive and typically only the top ten percent of nonprofits (by program size, history, or other criteria) in any given area of impact receive grants. Like relying on a small group of donors each giving large sums, the risk in grant funding is that in any given funding cycle your nonprofit might not get chosen as the recipient. Additionally, grant funding typically requires a very specific designated use that is aligned with the goals of the granting organization, with detailed reporting and oversight.

Program Revenue & Other Funding Sources

Program revenue is revenue generated through the program activities of a nonprofit. In order for the IRS to recognize the revenue as legitimate, program revenue must be directly related to programs that drive the organization's tax exempt status, e.g. tickets sold by a nonprofit theatre, or tuition and fees generated by a school. Not all nonprofit business plans will include the generation of program revenue, but those that do often find it to be a good source of sustainable income.

Another important point about program revenue is that, because it's tied directly to the organization's purpose, it is nontaxable just like donation.

Revenue generated from an ongoing activity that is not directly related to a nonprofit's programs, however, is considered **unrelated business income**, or UBI. Unrelated business income is not a good revenue model for most nonprofits and cannot make up a significant portion of a nonprofit's revenue regardless, or else that organization's tax exempt status may be put in jeopardy (as it would be better characterized as a for-profit company activity). In addition, net proceeds from UBI are fully taxable to the nonprofit.

For most startup nonprofits, building a broad donor base of individuals that can give at a variety of levels is the best way to sustainably grow your organization's programming resources. Supplementing that broad base with major-gift givers and grant funding is merely the icing on the cake. Your donor base is not only your source of funding, but of word of mouth advocacy, in-kind donations, volunteers, and other non-financial resources.

Issue #7: Nonprofit Executive Compensation

"The first step is conducting due diligence to determine the market value of the services the job requires."

Executive compensation is a hot-button topic for both nonprofit and for-profit companies. With the nature of compensation changing dramatically for technology and other high-growth industries, it is important to understand what is fair and competitive when setting your employee salaries. For nonprofits in particular, the IRS places a great deal of significance on this issue when evaluating new nonprofits seeking 501(c)(3) status.

Compensation Basics

Before deciding what to pay your nonprofit employees, the first step is conducting due diligence to determine the market value of the services the job requires. This process includes gathering public information from sources such as the Labor Department and census data. Due diligence can also include comparing the salaries for job postings of companies in similar sizes and locations. Completing your due diligence is most helpful in giving you an idea of what is reasonable and fair for the positions you're setting compensation for.

Unfortunately, the IRS "reasonable" standard is quite subjective. But, it does include such things as job duties, geography, industry norms, and the size of the organization itself. Setting a reasonable and fair salary for a nonprofit employee first begins with the budget of the charity. Realistically, if an organization cannot afford a particular compensation package, it's not considered reasonable for the organization. The next level of consideration is for the actual job description - what is required, what is the employee responsible for, how many hours a week are necessary and the like. An additional level of consideration would be based on the candidate up for consideration, such as their level of education and relevant experience.

Arm's Length Consideration

The issues discussed in this article are applicable to any nonprofit employment arrangement. But, they take on even greater importance when it’s a key employee situation, like an Executive Director. The most important thing to remember about setting compensation for nonprofit executives is that they should be set by an impartial, nonbiased party. No executive, nor anyone related by blood or business interest, should be involved in discussions regarding their own compensation. This scenario is most sensitive when employees occupy board seats, such as frequently occurs with founders of small organizations. Employees and their relatives should recuse themselves from any related discussions in order to avoid the appearance of impropriety.

Issue #8: Recordkeeping Basics for Nonprofits

"If it's not in writing, it didn't happen."

Perfecting the habit of properly documenting the activities of your nonprofit is one of the most important disciplines any new social entrepreneur can master. There's a well-worn cliché that says, "If it's not in writing, it didn't happen". When it comes to your nonprofit, no truer statement was ever uttered! But, unless you are the uber-organized type who just instinctively writes everything down, documentation may not be your strong suit. So what exactly do you need to be keeping records of if you fit in this category? In this article, I want to talk about four critical categories of recordkeeping and how you can make sure you have your bases covered.

Accounting

The first category is your accounting records. If anything needs to be buttoned up tightly, this is it! Both state and federal regulations require that the financial records of your nonprofit be complete, accurate, and consistent with **Generally Accepted Accounting Principles**, or GAAP. In fact, your board has a fiduciary responsibility to ensure your accounting records are accurate. And even if you are fortunate enough to have a someone inside the organization who is well-versed in nonprofit accounting, we still highly recommend you enlist the services of a competent, third-party professional (like Foundation Group) to oversee what is being done AND to prepare your annual IRS Form 990 and related filings.

Contributions

The second category is donations. There are two reasons why this is so important: First, you have a regulatory requirement to keep accurate records of who gave what and when. This is true of both cash and non-cash (or **in-kind**) gifts. The IRS, and maybe your state, will want details concerning this information on your Form 990.

The second reason is more practical. Accurate records of donation activity makes is much easier to solicit future contributions from your supporters. And, as we have discussed in other articles, building a fan-base of consistent givers is fundamental to your nonprofit's financial health.

Corporate Records

It may seem kind of obvious, but you need to keep copies of all your corporate documents, such as your **Articles of Incorporation**, **Bylaws** and related amendments, and your **corporate annual reports**. What might be less obvious is board meeting **minutes**, which are the notes of what was discussed and decided in any board meeting. This is an often overlooked piece of recordkeeping that is critically important. If the IRS or another government agency examines your nonprofit for some reason, it is very common for them to request documentation of board decisions. You do not want to find yourself in a situation of defending a board action, such as compensation for your Executive Director (who also happens to be a board member), and not have evidence of arms-length decision-making.

Activity Records

The final category we will examine is activity records. What has your nonprofit been up to? This category may include things ranging from fundraisers or specific program activities. If it is a fundraiser, what happened? How much money came in? What was the cost of conducting it? Same thing for programs. What was accomplished? How many people were served? This is all information that the IRS and your state will likely want details concerning. It also makes great content for communicating to your donor base all the incredible things your nonprofit is accomplishing.

Bottom Line

As you can see, recordkeeping cannot be an afterthought for your nonprofit. Knowing what needs to be documented, then doing it, is essential to making sure your nonprofit stays in compliance and, by extension, improves donor and stakeholder engagement.

Issue #9: Nonprofit Compliance Basics

"The regulatory filings required for both state and federal entities are used to determine whether your nonprofit has followed the necessary rules to maintain your tax exempt status."

After incorporating in your state and setting up your nonprofit's 501(c)(3) status with the IRS, the biggest regulatory concern that you'll have is maintaining ongoing compliance with the law. The regulatory filings required for both state and federal entities are used to determine whether your nonprofit has followed the necessary rules to qualify as a charity and to maintain your tax exempt status. A key point to remember about compliance is that good recordkeeping will be the foundation of your success in this area.

Federal Compliance

Every year, all 501(c)(3) organizations are required to file some version of **IRS Form 990** with the Internal Revenue Service. Small public charities, those with under $50,000 in gross revenue, can file a brief, electronic return called Form 990-N. For all others, a much more detailed return is required (Form 990-EZ, 990, 990-PF, and/or 990-T). This form collects information about the nonprofit's income and expenses, as well as program accomplishments, board members, and answers to numerous operational and board compliance questions. The form is not simply a statement of numbers similar to a private or for-profit tax return. There are a lot of subjective and narrative details required about the operation of the nonprofit. Failure to file a Form 990 in a timely annual fashion can result in significant penalties (up to $20/day for late filing fees). Failure to file a Form 990 for three consecutive years results in an automatic revocation of 501(c)(3) status.

In addition to filing the Form 990, a nonprofit that maintains employees is also subject to regulations affecting the workplace. These filings can include payroll and tax reporting on an annual and/or quarterly basis. These filing requirements are essentially similar to what is required in for-profit companies.

State Compliance

Managing state filing requirements, especially for nonprofits operating nationally, can be an onerous process. The vast majority of states require nonprofits to register with the **Division of Charities** prior to soliciting donations. Nonprofits fundraising in multiple states must also register in each of those states, and renew that registration on an annual basis. Similarly, nonprofits whose corporate headquarters are in one state, but will have an ongoing physical presence in another, must usually register as a foreign entity in the other state by requesting a **Certificate of Authority**. There is considerable variability between states with regard to each state's nonprofit requirements, so recordkeeping with regard to activities in each state is of utmost importance.

In addition to compliance filings, nonprofits are also required to file business operations documents related to state-specific workplace rules. You must file a **corporate annual report** for your state of incorporation, plus each state in which your nonprofit has a Certificate of Authority. You may be responsible for **employment tax**, **workers compensation**, and **unemployment tax** to state regulators. At the state level, employment-related regulations often differ from the requirements of for-profit companies.

The Key Takeaway

A nonprofit's board of directors is legally accountable for ensuring that the nonprofit's federal and state compliance records are up to date. Whether prepared by a professional or an employee, the important thing is for the records to be detailed and accurate. Usually the board member responsible for keeping track of this activity is the Treasurer, but the entire governance team is ultimately accountable. All of the information necessary for the Form 990 and other compliance filings should be available if your organization has made detailed recordkeeping an operational priority.

Issue #10: Why You Should Trust a Professional for Nonprofit Startup and Compliance Needs

"There is no substitute for specialized expertise."

Once you've decided your mission, developed an operations strategy and started building a team, it's time to prepare and file your incorporation documents and 501(c)(3) status applications. If you've done your homework properly in documenting your mission, strategy and plans, the application process should be straightforward. That doesn't mean, however, that it will be easy. Without a prior knowledge of IRS rules and regulations, your plan could still run the risk of being declined by the IRS for 501(c)(3) status. The most successful nonprofits utilize experts in nonprofit compliance for every step of their planning, to ensure from the start that their nonprofit plan is compliant and ready for approval.

Outsourcing

As a mission-driven world changer, it is unlikely that your core expertise is nonprofit compliance. Using a professional company that specializes in establishing 501(c)(3) nonprofits is the most prudent choice in these scenarios, but there are no one-size-fits-all solutions for choosing a business vendor. Online DIY services that promise easy, quick results can often be the cheapest way to operationalize, but adage "you get what you pay for" is true – don't expect anything in terms of support. You're on your own. Mistakes that result in a rejected application means lost time you must spend fixing and resubmitting your application, ironically increasing the cost of your process.

Additionally, online legal/corporate document preparation services still focus on for-profit organizations much more than nonprofits. The process of gaining tax-exempt status is much more rigorous, given that tax incentives for nonprofits are given in exchange for those organizations providing a public benefit.

Who defines a public benefit versus a private one? How does your specific plan fit into state and federal IRS regulations regarding operating as a nonprofit in an area such as homeless services or working with children? These are areas best understood by talking to experts before you file your paperwork, not after your application has been declined. ***There is no substitute for specialized expertise.***

Compliance

After you've obtained your 501(c)(3) status and have launched your startup nonprofit, the need for qualified experts in nonprofit compliance does not lessen. If your nonprofit serves constituents or fundraises in multiple states, you're liable for nonprofit filings in each state you do conduct business in. Each state has its own unique rules and regulations regarding nonprofit operations, and your organization is responsible for compliance and separate filings in each of them.

Maintaining state compliance for your nonprofit in addition to federal compliance can be an onerous task, especially as your operations grow. With the relative ease of conducting global business now, it's easy to lose sight of local rules. Federally, working with a professional partner for your annual IRS Form 990 filings can help you focus on your key areas of expertise, leaving the compliance filings to experts.

Foundation Group's Expertise

Foundation Group was started by tax and accounting professionals who specialize in nonprofit issues. While other companies focused on the larger for-profit company market, Foundation Group made its mission that of serving the tax and compliance needs of the charitable community. Today, Foundation Group has over 21 years of experience working exclusively with nonprofits on 501(c)(3) application processes, annual Form 990 filings, charitable solicitations registrations, and other tax related issues at the state and federal levels.

There are virtually no issues regarding nonprofit status and compliance that Foundation Group has not addressed at some point in their 21-year history. To take advantage of Foundation Group's broad ranging expertise in nonprofit formation, contact our office today. Let us be a partner in your success from the start!

About Foundation Group

Foundation Group specializes in formation and compliance services for nonprofit organizations. We are a leader in helping nonprofits to start well and to achieve lasting success!

Since 1995, our team of dedicated professionals have helped launch over 17,000 startup nonprofits...and have maintained a 100% IRS 501(c)(3) approval rate. The variety and complexity of our client portfolio lets you know that no matter the organizational type or situation you have, Foundation Group has a solution for you.

To view our full library of articles, please visit our website at www.501c3.org .

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Thank you,
The Foundation Group Team

What's Holding You Back?

Our SureStart™ Plan for new nonprofits is exactly what you need to launch your organization.

Each plan includes everything you need to incorporate and secure 501(c)(3) status, plus you get to work directly with the top experts in the field. We'll help you put together a nonprofit according to compliant, best practice...one that is pre-wired for success.

We look forward to hearing from you!

Let's Get Started!