

Starting a Nonprofit Toolkit

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Steps Before Starting a Nonprofit

Launching a new nonprofit organization can be a daunting task. This section helps you understand what it means to be a nonprofit, and some of the questions you should consider and steps you should take before getting started. Have you considered alternatives? Have you researched various legal and non-legal corporation structures? Have you done your market research? Have you gathered input from advisors, close connections, potential partners, and community stakeholders? Do you have the time and resources, and even the personality, to start a new nonprofit? Read below for more information and resources to help you answer these questions.

We've also put together a 2-page [checklist](#) to summarize what's in this Toolkit, help you get started, and work through the steps!

NONPROFIT 101

Nonprofit organizations exist for the public good with missions that benefit society, rather than individual owners. When an organization becomes a nonprofit, the nonprofit belongs to and is legally “owned” by the community, not by its founder(s) or any individual. Thus, there is a board of directors which represents the community and steers the organization, and control is shared with the board. Shared control with a board, as well as the time and administration of working with a board, is an important factor to consider.

In Virginia, nonprofit organizations are referred to as nonstock corporations and are governed by the [Virginia Nonstock Corporation Act](#). As a nonstock corporation, the nonprofit is a separate entity from its members so it can own its own property and bank accounts and offer limited liability for its members. Any generated income or property owned by a nonprofit, whether profit or not, is used to support the mission of the organization.

It isn't easy to operate a nonprofit, and it isn't easier than running a business. A nonprofit is a business, and is often referred to as a business with a “double-bottom line” of both financial *and* social impact. Just like any business, a nonprofit must ensure that its revenue exceeds its expenses and that it has adequate cash balances to support the timing of payroll, if applicable, and other expenses. Starting and operating a sustainable nonprofit requires much the same market research, business planning, resources, administration, and hard work that a for-profit business does plus, for example, the added considerations of restricted funding, increased scrutiny from the government, and accountability to the community it serves. There are many worthy alternatives to starting a new nonprofit that still allow for community impact, making a difference, and addressing an unmet need. See below for some you might consider.

Nonprofit organizations may be eligible for tax-exempt, 501(c) status with the IRS, which, if obtained, makes them exempt from federal income tax. Donations made to qualified charitable organizations - mainly 501(c)(3)s - are also tax-deductible. As part of this deal, nonprofit organizations are required to provide benefit for the public good in accordance with their mission. Starting a nonprofit corporation can be a way to formalize an existing charitable activity and to be eligible for grants and tax-exempt donations. While certainly considerations, tax benefits and the ability to fundraise and write grants are not of themselves reasons to start a new nonprofit. For example, while more limited, for-profits and individuals can qualify for some grants, anyone can raise money through crowdfunding and other means, and there are many socially-minded for-profits. [Click here for a flowchart](#) with guidance on searching for grants for individuals, for-profits, artists, and students, as well as 501(c)(3)s.

You might consider starting a nonprofit if you have identified an unmet need in your community and after conducting research, believe that a nonprofit structure will best allow you to accomplish your goals. However, choosing an entity structure – for example, a non-legal structure or a legal structure such as a nonprofit, socially-minded for-profit, or a hybrid – should actually come as one of the last steps in the process. Your research (as well as legal expertise, which we recommend!) will help inform this consideration.

It is important that you conduct your due diligence and market research, as you would with any business, to determine whether other organizations are already engaged in the work, if there's a demonstrated need for what the new organization would do, and if there's a revenue model and path to financial sustainability. See below for how to conduct this due diligence and market research, as well as questions and considerations before getting started.

- [*For Love or Lucre*](#) | Stanford Social Innovation Review (article)
- [*To 501\(c\)\(3\) or Not to 501\(c\)\(3\): Is That the Question?*](#) | Nonprofit Quarterly (article)
- [*Learn More About Nonprofits*](#) | Perkins Law, PLLC (FAQs)
- [*What are the Advantages/Disadvantages of Becoming a Nonprofit Organization?*](#) | Candid (article)
- [*How is a Nonprofit Different from a For-Profit Business?*](#) | The Balance (article)

ALTERNATIVES TO STARTING A NEW NONPROFIT

- 1) Support an already established nonprofit compatible with your passion and values:
 - a. Join them as a volunteer, board, or staff member. Check out CNE's nonprofit [job opportunities](#), [ReimagineCVA](#) if within Central Virginia, or [contact us](#) to learn more about getting connected as a nonprofit volunteer, board, or staff member.
 - b. Donate to support their work.
 - c. [Collaborate](#) to develop a special project to meet a specific public need.
- 2) Organize a committed group of volunteers to address the need.
- 3) Start a local chapter of a national organization if there isn't already one.
- 4) Become a social entrepreneur running a for-profit business with social goals and charitable causes in mind.
- 5) Consider fiscal sponsorship: a fiscal sponsor shares its tax-exempt and tax-deductible status with the sponsored program, and the new program operates under the fiscal sponsor. Learn more about fiscal sponsorship in the resources below, check out this [Fiscal Sponsor Directory](#) to find fiscal sponsors in Virginia, or [contact us](#) to learn more about potential fiscal sponsors regionally.

- [*Eight Great Alternatives to Starting a Nonprofit*](#) | Ingrid Kirst Consulting (article)
- [*Alternatives to Starting a Nonprofit*](#) | The Balance (article)
- [*The Moment to Start Exploring Strategic Partnerships: Starting a Nonprofit*](#) | PoP (tool)
- [*Fiscal Sponsorship: A Balanced Overview*](#) | Nonprofit Quarterly (article)
- [*Fiscal Sponsorship for Nonprofits*](#) | National Council of Nonprofits (article)
- [*The Stigma Against Fiscal Sponsorship Needs to End*](#) | Rainier Valley Corps (article)

THINGS TO CONSIDER IN THE BEGINNING

- 1) Nonprofits face increasing competition – for example, there are already over 650 nonprofits in the greater Charlottesville/Albemarle area alone that address a comprehensive range of community needs: health, education, poverty, homelessness, arts, the environment, and more. See CNE's

[Member Directory](#), searchable by service and focus areas, to learn more about our nonprofit members.

- 2) Many nonprofits end up dissolving, becoming inactive, or operating in financial distress. While difficult to accurately track from IRS data, the National Center for Charitable Statistics [showed](#) that approximately 30% of nonprofits had closed within a 10-year span, and [research](#) (at minute 37:00) suggests that the time between the launching of a new nonprofit and the nonprofit dissolving continues to shorten due to high volatility in the sector.
- 3) There is no “free money” for nonprofits. You will have to apply for various grants and loans, all with their own applications and eligibility requirements, as well as potential requirements on how any money given can be used. Some common themes of foundation and corporation eligibility requirements are a history of success, measurable impact, and having been established a minimum of 2+ years.
- 4) A compelling mission and passion for your nonprofit are necessary but not sufficient attributes for nonprofit sustainability. Stakeholders and the community must be supportive for the mission to be sustainable.
 - [Starting a Nonprofit? Do You Really Want To?](#) | BoardSource (article)
 - [The 4 Most Common Nonprofit Startup Mistakes](#) | The Balance (article)

MARKET RESEARCH & GAUGING COMMUNITY SUPPORT

After considering the above, the next step if you'd like to move forward is to gauge stakeholder and community support (remember that a nonprofit is legally “owned” by the community), and conduct market research on your potential clients and their needs. Conducting this due diligence can help prevent starting a new nonprofit only to discover that the services are not needed. Being able to demonstrate that the need exists helps validate your organization to the community, as well as to potential funders. To help gauge stakeholder and community support, you could share your ideas, ask questions, and gather input from advisors, close connections, potential partners, stakeholders, the population you would like to serve, and leaders of existing nonprofits with like-minded missions.

As part of your due diligence, you should conduct market research on what related nonprofits are currently doing, and if they are already addressing the public need you would target. You will want to show (and, potential funders will want to know) that you are addressing an unmet need in the community. If there are other nonprofits already doing the same or similar work, then you will just end up competing with them for both clients and funding. Check out CNE's [Member Directory](#), searchable by service and focus areas, to research nonprofits with potentially like-minded missions in Virginia. As part of your research, you could also look into which nonprofits have received grants in similar mission areas by region, program, population served, etc. You can conduct this research through the Foundation Directory Online (FDO), a go-to and comprehensive online grants database. CNE offers access to FDO at no cost. [Click here](#) to access FDO through CNE, or you can search [here](#) for a FDO location near you. [Click here](#) for a tutorial video on how to use the database.

The next step is research to establish that your nonprofit is necessary because needs are not currently being fully addressed by the current programs in the regional area. This is known as a needs assessment. You start this process by doing what is known as an environmental scan. Research all of the programs that are currently serving the greater regional area, and you may want to extend this to a broader search to see if there are national programs that are providing the service regionally. In your research, you will want to collect the following information:

- Who do you serve?
- What do you provide?
- How do you provide your service?
- Are there eligibility requirements to receive your service?
- Are there needs you currently cannot meet due to eligibility requirements, location, or overwhelming requests for service?

The second part of the needs assessment is researching the population that you would serve to determine that there truly is an unmet need, and that you would be serving enough individuals to justify starting a new nonprofit, as opposed to, perhaps, a program or collaboration with a currently existing nonprofit. Based on your criteria of who you would serve, how many individuals would meet your criteria? How many would be eligible for your services? How many would be interested in participating? This research will also be important to show that there are enough individuals going forward who would need your services, and to create a referral stream to your nonprofit and your resources.

Then, you'll want to review what you've learned about how many individuals would be eligible for your services, as well as the environment scan of what organizations are already doing. If an organization doesn't already exist to provide the services you want to offer, it may be a good indication to start one, or it may mean that there isn't a need for the organization.

After conducting your research, the next step is business planning. The information collected during your needs assessment will be incorporated into a business plan. See the section below for nonprofit business plans that provide a planning framework.

- [*How to Use an Environmental Scanning Tool*](#) | CNE (tool)
- [*Competitive Positioning: Why Knowing Your Competition is Essential to Social Impact Success*](#) | Nonprofit Quarterly
- [*How to Start a Nonprofit*](#) | National Council of Nonprofits - See "Step 1: Do Your Research" (article)

THE BUSINESS PLAN & BUDGETING

You will incorporate what you learned from your market research and needs assessment into a business plan, which is an essential component of the process. You will also need to create a narrative of your past, current, and planned activities, and a projected budget for your organization, including all expected income and expenses for the current year and next three years or four years depending on how long the organization has existed. The IRS application for 501(c)(3) status also requires this information. See below for resources and tools to assist with developing a business plan and a budget.

- [*Business Planning for Nonprofits*](#) | National Council of Nonprofits (article)
- [*Outline for a Business Plan*](#) | The Nonprofit Strategy Revolution (tool)
- [*Identity Statement*](#) | The Nonprofit Strategy Revolution (tool)
- [*The One Page Business Plan for Nonprofits*](#) | Skylance (tool)
- [*An Easy Nonprofit Budget Template & How to Use It*](#) | Joan Garry (article & tool)
- [*Strong Nonprofits Toolkit: Budgeting*](#) | Wallace Foundation (toolkit)

FUNDING STREAMS & FINANCIAL SUSTAINABILITY

Another piece of the puzzle is determining if there is funding for your initiative. Developing a business plan (see above) will help you identify resources, funding streams, start-up funds, investors and/or revenue models to support your organization, and create a plan for financial viability and sustainability.

As part of your research, you could look into what grants may potentially be available to you. Develop a query on the initiative that you are seeking funding for and the Foundation Directory Online (FDO), a go-to and comprehensive online grants database, will generate a list of potential funders. CNE offers access to FDO at no cost. [Click here](#) to access FDO through CNE, or you can search [here](#) for a FDO location near you. [Click here](#) for a tutorial video on how to use the database, and [here for a flowchart](#) with guidance on searching for grants for 501(c)(3)s and NGOs, for-profits, artists, students and individuals.

Note that there are numerous ways besides grants that nonprofits can generate revenue streams. According to [Giving USA](#), giving from individuals remains the biggest source of charitable giving at a little less than 70%. The rest of the philanthropic pie consists of government and foundation grants, bequests, and corporate philanthropy. Other nonprofit revenue streams include earned revenue, membership fees, and more.

- [How Nonprofits Generate Revenue Streams](#) | The Balance (article)
- [Is Diversification of Revenue Good for Nonprofit Financial Health?](#) | Nonprofit Quarterly (article)
- [Diversified Funding for Your Nonprofit](#) | Fully Funded (article)

THE MISSION & VISION STATEMENTS

Formulating your mission and vision statements is important in defining what you hope to accomplish, and what success will look like. A nonprofit's mission and vision statements guide the governance and operations of the nonprofit, especially in its early development stage.

A mission statement is a short (usually one sentence) description of the reason your organization exists – what you do and who you do it for – while the vision statement describes the future you are working towards. In general, the mission and vision statements should address the following questions:

- Why should this organization exist?
- What do you do and who benefits?
- What is the scope of services?
- What problem are you trying to solve?
- What will success look like?

Effective mission statements are focused, informative, and memorable. The mission statement will be important in guiding strategy and decision-making, as well as providing inspiration.

- [A Step-by-Step Exercise for Creating a Mission Statement](#) | Nonprofit Hub (tool)
- [Mission & Vision Statements](#) | Washington Nonprofit Institute - See 'Chapter 3: Envision' (video and tools)
- [Mission, Vision, and Values](#) | Stanford Graduate School of Business (article)

QUESTIONS TO ASK BEFORE STARTING A NONPROFIT

- 1) Are you comfortable with shared control with a board of directors who are responsible for guiding the organization? Shared control with a board, as well as the time and administration of working with a board, is one of the most important factors to consider.
- 2) Have you conducted due diligence and market research to show a demonstrated need for a new organization?
- 3) Will others in your community commit time and resources to your cause? Nonprofits belong to the community and can only thrive with stakeholder and community support, and an engaged board of directors will be essential in growing your nonprofit.
- 4) Have you drafted a business model?
- 5) Can you clearly state your mission and vision?
- 6) Do you have a clear idea of what success would look like? Do you have specific goals and outcomes to measure success?
- 7) Are there funding streams, investors and/or revenue models which will support your organization?
- 8) Have you considered alternatives to starting a new nonprofit, and decided that moving forward is the best route?
 - [20 Questions to Address When Forming a New Nonprofit Organization](#) | Perkins Law, PLLC (tool)
 - [Questionnaire for Potential Nonprofits](#) | Community Tax Law Project (tool)
 - [Is Starting a Nonprofit Right for You?](#) | Candid (webinar)
 - [Nonprofit Start-Up Assessment Tool?](#) | Candid (webinar) - Note: You'll need to create a free account to access the Assessment Tool

Starting a Nonprofit

If you've worked through the questions above and would like to move forward, the next steps are beginning to build the board of directors (see section below), and choosing a legal (or non-legal) entity structure that will allow you to accomplish your goals. Examining your motivations for starting a new organization, what market you are targeting, how you plan to raise capital, and what type of control you want to have will inform what type of legal structure to create. If that structure is a nonprofit (as opposed to a socially-minded for-profit or something in between), you'll want to ensure your idea has a charitable purpose and qualifies for tax-exempt status. We recommend working with an attorney who can advise around various legal structures and nonprofit formation. Please contact us for a list of attorneys who we know regularly work with nonprofits and those thinking of starting a new entity.

- [Choose a Business Structure](#) | U.S. Small Business Administration (article)
- [How Do I Start a Nonprofit Organization?](#) | Candid (article)
- [Guide to Succeeding in the Nonprofit Sector](#) | Zippia (article)
- [You've Started a Nonprofit! Now What? Six Steps](#) | Amber Smith (video)

QUESTIONS TO ASK BEFORE INCORPORATING

- 1) Is incorporation necessary for what you want to achieve? Many charitable organizations choose not to incorporate or seek tax-exempt status.
- 2) Must you incorporate to receive the funds you need? You don't have to be a nonprofit to accept donations, only if you want the donations to be tax-exempt. Anyone can crowdfund or raise money.
- 3) If incorporating, there are many types of legal structures. Which is the best fit?

SEEKING LEGAL & FINANCIAL GUIDANCE

If you determine that legally forming a nonprofit is right for you, the next step is typically to incorporate the nonprofit organization and file for tax-exempt status. We recommend that you seek legal guidance from an attorney, along with financial guidance from a certified public accountant (CPA) as you incorporate a new nonprofit organization and seek 501(c) status. Incorporation can be a tricky and tedious process, and of the assets and resources you have available, an attorney who specializes in nonprofit start-up and formation can be a great investment, as well as a CPA. For a new nonprofit, understanding your federal and state tax-exempt status as well as your financial statements are not always the simplest tasks, but a CPA can make it less daunting and easier to complete and understand.

You can contact your local legal bar association and CPA association for attorney and accountant suggestions, or if in Virginia, contact CNE for names of individuals who regularly work with nonprofits. An attorney and/or CPA, should you choose to work with one, can help you move through the next steps below. There are also vendors, such as [The Foundation Group](#) and [Harbor Compliance](#), who provide nonprofit formation and compliance services. Whether working with an attorney, CPA, nonprofit vendor, or other consultant, we recommend vetting multiple for both cultural and technical skills fit.

ARTICLES OF INCORPORATION

To incorporate a nonprofit organization, you must file the organization's Articles of Incorporation with the Virginia State Corporation Commission. The Articles of Incorporation is a legal document that contains the nonprofit's basic information, including:

- 1) Name of the nonprofit (before you file your Articles of Incorporation, contact the Clerk's Office of the Virginia State Corporation Commission to confirm availability of the corporation name)
 - 2) Name and address of registered agent
 - 3) Legal address of the nonprofit
 - 4) Duration of the nonprofit corporation
 - 5) Name of incorporator(s)
 - 6) Name and address of directors
 - 7) Statement of purpose
- [*Nonprofit Formation Documents: Articles of Incorporation, Bylaws, and Organizational Minutes*](#) | NOLO (article)
 - [*How Do I Incorporate a Nonprofit? Where Can I Find Sample Articles of Incorporation?*](#) | Candid (tool)
 - [*FAQs: Virginia Nonstock Corporations*](#) | Virginia State Corporation Commission (FAQs)
 - You can also watch a short video provided by Perkins Law, PLLC regarding the basic formation documents [here](#). It is not a complete list, but it is a great place to start.

BYLAWS

You must also draft bylaws for your nonprofit. You are not required to file bylaws with the state, but you are expected to have them readily available. Bylaws are the main governing document for your nonprofit and answer questions about how the board of directors and nonprofit function. As such, it will be important to regularly review and follow them. The bylaws should address items such as:

- 1) Responsibilities of the board and how it will function, such as size of the board, terms and term limits, electing and removing officers, and rules and procedures for holding meetings
- 2) If and how committees will be set up
- 3) Membership regulations, if any
- 4) How the bylaws can be amended

It's important to keep bylaws flexible and reserve the details for policies, which can be changed at any time.

- [*What are Nonprofit Bylaws? Where Can I Find Samples?*](#) | GrantSpace (tool)
- [*Bylaws: Do's & Don'ts*](#) | BoardSource (article)
- [*Bylaws & Articles of Incorporation – Key Similarities and Differences*](#) | BoardSource (article)
- [*Nonprofit Bylaws and Template*](#) | Harbor Compliance (tool)

MAKING IT OFFICIAL

While you are completing the organization's corporate documents, recruit and/or appoint the board of directors (see "Building the Board" below). Once you receive your Certificate of Incorporation from the State Corporation Commission, below are next steps in "making it official." We recommend [this](#)

[resource](#) from The Foundation Group on steps in starting and maintaining a nonprofit in Virginia. It includes forms, fees, and links to learn more.

Hold an organizational meeting:

- See [board meetings](#) section below on what to think about for the first meeting

Get your Employer Identification Number:

- Request from the IRS, done via [online application](#)
- [Apply](#) for an account number with the Virginia Employment Commission

Register with the appropriate state agencies:

- Virginia Department of Agriculture and Consumer Services to [register](#) as a charitable organization
- Department of Revenue to [register](#) for state business taxes

Apply for tax exemption:

- [501\(c\)\(3\) tax exemption](#). The IRS provides an [outline](#) of things to consider before applying for tax-exempt status.
- Incorporation with the state creates the legal entity, but filing with the IRS for 501(c)(3) tax-exempt status, if approved, allows for donations to be tax-deductible.
- See IRS revised [Form 1023](#) for applying for tax-exempt status. Here is an [outline](#) of the effect of new tax laws on tax-exempt organizations.
- [Starting and Maintaining a Nonprofit in Virginia: A Step-by-Step Guide](#) | The Foundation Group (guide)
- [How to Start a Nonprofit in Virginia](#) | Harbor Compliance (guide)
- [Virginia Nonprofit Compliance](#) | Harbor Compliance (guide)
- [How to Start a Nonprofit](#) | National Council of Nonprofits - See Step 3 'Incorporation and State Forms' and Step 4 'Filing for Federal Tax-Exempt Status' (article)
- [Must-Have Board Documents](#) | BoardSource (article)
- [Good Governance Policies for Nonprofits](#) | National Council of Nonprofits (article)
- [Can I get funding while I am in the process of incorporating or getting tax-exempt status?](#) | Candid (article)

Building the Board

The next crucial step of launching your new nonprofit organization is to form the first board of directors, who will be essential in helping the nonprofit function as a healthy organization focused on achieving its mission. Because the nonprofit is “owned” by the community, the board of directors represents the community, establishes the nonprofit’s mission and direction, and steers the organization. Boards at their best amplify, leverage, catalyze, innovate, and strengthen the work of the organization. Organizations can be good, but they can’t be great without an engaged board and strong governance. [See here](#) for upcoming CNE trainings related to board governance.

BOARD ROLES AND RESPONSIBILITIES

- 1) Build a competent board
- 2) Establish and evaluate the organization’s identity and direction
- 3) Protect assets and ensure sufficient resources
- 4) Provide financial oversight
- 5) Ensure legal and ethical integrity
- 6) Enhance the organization’s public standing
- 7) Monitor programs and services
- 8) Hire, support, manage, and evaluate the first executive director if applicable (see shared leadership section below)

- [What Does Board Service Entail?](#) | BoardSource (article)
- [Checklist of Board Roles and Responsibilities](#) | BoardSource (tool)
- [Board Responsibilities and Structures – FAQs](#) | BoardSource (FAQs)

INDIVIDUAL BOARD MEMBER EXPECTATIONS

Most often, board members are volunteers. Board members are fiduciaries of the organization’s resources and guardians of its mission. A fiduciary is one who acts legally on behalf of and in the best interest of another. Legally then, the board acts as a trustee of the organization’s assets and ensures that the nonprofit is well managed and remains fiscally sound. Board members, as stewards of public trust, must always act for the good of the mission, rather than for the benefit of themselves. They need to exercise reasonable care in all decision-making, without placing the organization under unnecessary risk. This looks like:

- Duty of Care: Active participation, reviewing reports, complying with filing requirements, asking tough questions
 - Duty of Loyalty: Disclosing conflicts of interest, confidentiality, adhering to policies, representing the organization well and acting as an ambassador and advocate in the community
 - Duty of Obedience: Remaining faithful to the mission, acting consistently with the goals of the organization, complying with bylaws and applicable state and federal laws
- [Board Member Job Description](#) | BoardSource (tool)
 - [Board Member Job Description](#) | The Bridgespan Group (tool)
 - [Board Officer Responsibilities](#) | BoardSource (article)

- [Responsibility & Liability of Nonprofit Board Members](#) | Virginia Society of CPAs (guide)

RECRUITING THE FIRST BOARD

You will want to recruit board members who have genuine passion for the mission, time and energy to commit, a good understanding of client needs, and useful expertise (i.e. start-up, finance, fundraising, strategy, etc.) You could consider recruiting a few board members who have served on boards before. You could also consider including recipients of the programs and services as board members. These individuals can provide valuable perspective on the formation of the organization as well as ongoing feedback, evaluation, and course corrections. It can be helpful to use a [board matrix](#), which is one tool to think about the diversity of skills, interests, experience, and perspectives that can help align to organizational strategy at this phase, and therefore help inform strategies for recruitment. The matrix should be tailored to your organization and what you need to execute on your specific mission, and can be helpful in identifying what you are looking for in new board members.

Below are resources that can be helpful in terms of questions a potential board candidate might ask, and questions that an organization may ask as you are further along in the recruitment process. Individuals and organizations should conduct their own due diligence and vetting process to evaluate board fit. Remember that it's more important to find a good fit than to fill a seat, and that it's not just the organization benefitting from board members. Nonprofit board service has many benefits – [here is an article](#) on the studied leadership benefits of serving on a board.

- [How to Start a Nonprofit and Create a Board](#) | BoardEffect (article)
- [Board Recruitment](#) | BoardSource (article)
- [Board Size: Finding the Sweet Spot](#) | BoardSource (article)
- [Questions the Organization Will Ask You as a Prospective Board Candidate](#) | BoardSource (tool)

BOARD DIVERSITY

Boards thrive, ask tougher and better questions, and make more informed decisions with a diversity of skills, experiences, backgrounds, characteristics, and perspectives. It's a good idea to articulate the board's commitment to diversity, equity, and inclusion early in the recruitment process and to discuss alongside board member expectations and responsibilities. Below are a few resources on the benefits of diversity in the board room and tools for the board to begin and continue keeping board diversity a priority. [See here](#) for resources and upcoming CNE trainings related to diversity, equity, and inclusion.

- [Diversity, Equity, and Inclusion on Boards](#) | BoardSource (article)
- [5 Steps to Increase Board Diversity at Your Nonprofit](#) | Personify (article)
- [The Inclusive Nonprofit Boardroom: Leveraging the Transformative Potential of Diversity](#) | Nonprofit Quarterly (article)
- [Beyond Political Correctness: Building a Diverse Board](#) | Bridgespan (article)

BOARD MEETINGS

This initial meeting is a time to come together and begin the formal activity of the board. Any decisions made should be recorded in the first meeting minutes. The board should consider the following actions during the first board meeting:

- 1) Draft, review, or adopt the mission and vision statements, articles of incorporation, and bylaws
 - 2) Draft, review, or adopt a document retention policy to store the organization's important documents, a conflict of interest policy, and other good governance policies (the IRS asks about governance policies in the [Form 990](#))
 - 3) Review and provide feedback on the business plan
 - 4) Elect officers
 - 5) Draft board member job descriptions, assign duties, and choose individual goals
- [How to Run an Effective Nonprofit Board Meeting](#) | Donorbox Nonprofit Blog (article)
 - [Hold Your First Nonprofit Board Meeting](#) | Nonprofit Ally (article)
 - [Board Meetings: FAQs](#) | BoardSource (FAQs)
 - [Compare Traditional and Strategic Board Agendas](#) | The National Council of Nonprofits (tool)
 - [How to Take Minutes at a Board Meeting](#) | BoardEffect (article)

SHARED LEADERSHIP BETWEEN THE BOARD AND STAFF

Depending on your nonprofit's lifecycle, you may choose to bring on paid staff members. It is a leading practice to not have voting board members who are also paid staff, and that business affiliations with board members are disclosed and managed to avoid the perception of a conflict of interest.

One common first staff position is the Executive Director (or CEO), the key leadership staff member whose main responsibility is to implement the vision of the organization and manage the day-to-day operations of the nonprofit. The Executive Director reports to the board, and staff hired later will report to the Executive Director. Whether a nonprofit has paid staff or is all-volunteer, it's important for the board to make time for governance, strategic thinking, and looking forward.

- [Nonprofit Lifecycle](#) | Social Impact Architects (tool)
- [Dividing Duties Between Board and Staff](#) | Nonprofit Network (article)
- [The Board Chair & CEO Partnership](#) | BoardSource (tool)
- [What Staff? Keeping Operations and Governance Separate in an Organization with No Staff](#) | Nonprofit Quarterly (article)

Looking Forward

Nonprofits can and do move through various organizational lifecycle phases, including start-up, growth, peak performance, decline/crisis, and renewal. [Click here](#) for a resource on nonprofit lifecycles to map where you think you are and what a different stage might look like going forward, and [here](#) for an implementation plan worksheet as you work towards your goals and objectives. And remember to take time to celebrate your successes along the way!

Starting a Nonprofit Checklist

- Consider alternatives to starting a new organization (e.g. supporting an existing organization)
- Conduct market research and a needs assessment to show that there truly is a need for a new organization
- Gauge community support by gathering input from community stakeholders, potential partners, close connections, advisors, and leaders of existing organizations
- Use what you learn from the market research and needs assessment to draft a business plan
- Think about what you hope to accomplish and what success will look like
- Start building your board of directors
- Identify sources of start-up funds and funds to sustain the organization
- Draft a one-year and three-year budget
- Draft mission and vision statements
- Examine your motivations for starting a new organization, what market you are targeting, how you plan to raise capital, and what type of control you want to have. This will inform what type of structure to create: https://ssir.org/articles/entry/for_love_or_lucre
- Consider working with an attorney who can advise around various legal structures and nonprofit formation
- Choose a structure that will allow you to accomplish your goals
- If that structure is a nonprofit (as opposed to a socially-minded for-profit or something in between), ensure that your idea has a charitable purpose and qualifies for tax-exempt status
- Consider working with an attorney and/or CPA who can assist with officially starting a nonprofit and many of the steps below
- Name your nonprofit and check that the name is legally available
- Draft and file the Articles of Incorporation with the state, which can include naming your board of directors

- ___ Draft the bylaws
- ___ Draft the initial governing policies (e.g. conflict-of-interest)
- ___ Hold your initial board meeting to adopt the bylaws and policies and appoint corporate officers
- ___ Obtain an Employer Identification Number (EIN)
- ___ Open a bank account
- ___ Apply for state tax exemption(s)
- ___ Apply for 501(c)(3) tax exemption with the IRS, and obtain IRS determination letter
- ___ Obtain necessary business licenses and permits
- ___ If fundraising, register for Charitable Solicitation in appropriate states
- ___ Organize and store your nonprofit records
- ___ Obtain Directors and Officers insurance
- ___ Maintain good legal standing at the state level (a fee and filing an annual report every year) and federal level (filing a 990 every year)

This checklist does not constitute legal advice and of the resources you have available, CNE highly encourages working with an attorney with nonprofit start-up expertise.