

CONSIDERATIONS AND RESOURCES FOR STARTING A NONPROFIT

A Basic Guide Covering Key
Definitions, Process, and
Resources for Getting Started



C N M

INTRODUCTION

This material provides information to help you:

- Understand the nonprofit landscape at a high level
- Consider if starting a nonprofit is right for you and nonprofit alternatives
- Be informed about the overall process for starting a nonprofit
- Be aware of the resources available for starting a nonprofit

NONPROFIT LANDSCAPE

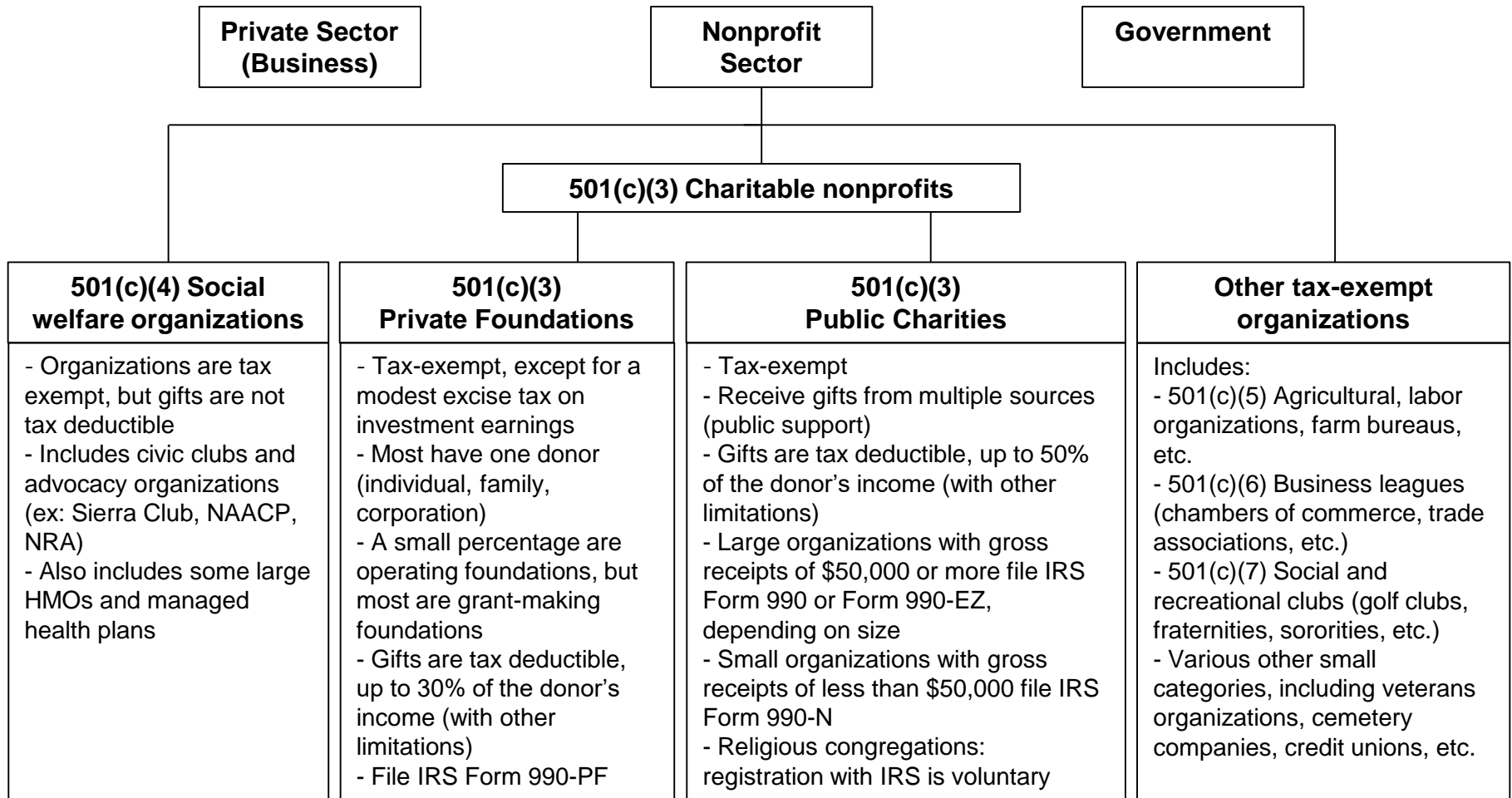
CNM's 2020 State of the Sector Report reveals a continuing trend of nonprofit growth in North Texas, even more so than in Texas and in the USA. Compared to 2016 data, there was approximately 20% growth among public charities (from 23,436 to 28,009 organizations), but only 4.6% with an operating budget of more than \$1M. There was growing demand for the services that these nonprofits provide, even before the Coronavirus, but having more nonprofits has not translated into slowing the growth rate of community issues.

A BoardSource article explains, “There are economies of scale that can be achieved by nonprofits, just as they can be by for-profits, but most nonprofits face significant uphill battles in getting to scale. Many never get there. This has resulted in a highly fragmented service landscape where many organizations are not as effective as they could be and are competing for very limited resources to support their missions and serve their constituents. There’s an opportunity cost associated with the multitude of new nonprofits started each year: they draw resources away from other organizations that need them and might be in a better position to thrive.”

Information about key definitions by type of nonprofit and subsector are provided on the following pages to provide a basic understanding of the characteristics of these organizations and how they are categorized. Then considerations and resources are provided.

NONPROFIT LANDSCAPE

When someone says, “nonprofit,” they are usually referring to a 501(c)(3) Public Charity. The chart below shows the distinctions between types of nonprofit organizations.



NONPROFIT LANDSCAPE

Requirements for receiving 501(c)(3) Public Charity status

- Organization's mission and work must fall under a category defined by the IRS
- Organization must re-invest profits into its services and work that is of public benefit
- Organization must limit its political activities

Charitable Subsectors

- **Arts, culture, and humanities**, such as museums, symphonies and orchestras, and community theatres
- **Education and research**, such as private colleges and universities, independent elementary and secondary schools, and noncommercial research institutions
- **Environmental and animals**, such as zoos, bird sanctuaries, wildlife organizations, and land protection groups;
- **Health services**, such as hospitals, public clinics, and nursing facilities
- **Human services**, such as housing and shelter, organizers of sport and recreation programs, and youth programs;
- **International and foreign affairs**, such as overseas relief and development assistance
- **Public and societal benefit**, such as private and community foundations, civil rights organizations, civic, social, and fraternal organizations
- **Religion**, such as houses of worship and their related auxiliary services
- **Mutual/Membership Benefit**, such as professional societies and associations, fraternal societies, and pension and retirement funds

CONSIDERATIONS FOR STARTING A NONPROFIT

Consider these alternatives before starting a nonprofit:

- Research organizations that are already doing the type of work you're interested in. See how you can help them, as a volunteer, board member, or employee.
- If you have identified a gap in services, see if an established organization would be interested in you working on that initiative with them.
- Create a for-profit venture that can be self-sustaining through earned revenue rather than through fundraising.

Candid offers a Nonprofit Startup Assessment that helps you consider 75 key questions to see if you are ready for the challenges of starting a nonprofit. It covers a variety of issues, including financial capital, human capital, social capital, program development, market analysis, volunteers and board, and nonprofit knowledge. [Take the Nonprofit Startup Assessment](#)

Steps that should be part of establishing a nonprofit include:

- Conduct a needs analysis
- Write a business plan, including fundraising strategy
- Develop your board
- Incorporate your nonprofit
- File for 501(c)(3) status
- Prepare for ongoing compliance

RESOURCES FOR GETTING STARTED

More-detailed articles from trusted organizations

- USA.gov – [Starting a Nonprofit Organization](#)
- National Council of Nonprofits – [How to Start a Nonprofit](#)
- Candid – [How do I start a nonprofit organization?](#)
- IRS – [StayExempt; Applying for Tax-Exempt Status Overview Course](#)

Other Resources

Nonprofit Elite

Offers consulting assistance for whether or not to set-up a nonprofit and/or the IRS determination application process.

www.nonprofitelite.com

[\(800\) 268-4388](tel:(800)268-4388)

Locations in Dallas/Fort Worth, San Diego, and Washington D.C.

Social Venture Partners

Offers consulting assistance for newly established nonprofits.

www.socialventurepartners.org/dallas/

[\(214\) 855-5520](tel:(214)855-5520)

Locations across the world, including Dallas

While CNM's consulting services are best for established nonprofits, many of our [Education offerings](#) are beneficial to start-up organizations. Join us for one of our [public seminars](#) or [certificate programs](#).



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