

Speaker



- **Jim Maltry** joined SCORE in 2007. Jim was Assistant Vice President of PNC Bank and has 26 years of experience with the nonprofit community, including how to start nonprofit, legal requirements, fund raising, board development and recruitment of board members, nonprofit business plans and strategic plans.
- Jim volunteers for SCORE because he is inspired by the clients he meets who want to make a difference by helping others. He says, “Often individuals who wish to start a nonprofit come to the conclusion that a nonprofit is not right for them. Through counseling I have saved them time, money and heartbreak.”
- He feels few resources exist in our area that provide free nonprofit advice. He says, “there are men and women in the Greater Cincinnati community who have a passion to help others by starting a nonprofit but don’t know how to get started nor the challenges they face. My expertise provides them with the knowledge to make an educated and realistic decision. Many existing nonprofits are experiencing challenges in these changing times and need our guidance.”

About SCORE



- Successful and experienced executive volunteer mentors available to assist those in business or starting a business
- SCORE is a resource partner of the Small Business Administration (SBA) whose mission is to help aspiring and existing businesses succeed. Since then, we've helped over 10 million people in pursuit of their business goals.
 - 11,000+ volunteer across more than 300 chapters across the U.S. with > 1 million hours of service
 - Since 2009*:
 - 299,389 Businesses Started
 - 359,101 Jobs Created
 - 386,277 Businesses Increased Revenue
- Services Offered
 - Seminars and workshops – local in person & on line
 - Free Mentoring - Face-to-Face, E-mail, Telephone & Skype
 - Variety of business resources for small businesses
 - Free Business Briefs
 - Links to local and state resources
 - Success Stories
- Contact us today to sign up for mentoring at www.score.org

AGENDA

- A step by step process to form your nonprofit.
- State of Ohio Legal Requirements, including registration fee.
- Internal Revenue Service requirements, including Application fee.
- Non Profit Business Plan template
- Fund Raising Opportunities
- Recruitment of Board Members

**“Before beginning, plan carefully”
Roman orator, Cicero**

SO YOU WANT TO START A NONPROFIT

- Forming a nonprofit is a major undertaking and will take time
- Careful planning is a must if you are to succeed
- Most will have to undertake the formation while managing a job and family responsibilities
- Gathering a core group of like-minded individuals to share the work would be of tremendous assistance and increase your chance of success

“TIME, TALENT AND TREASURE”

- A phrase commonly used in the Non profit community which applies to someone wishing to start a non profit:
 - **Time** – How will you balance the time to create a nonprofit with job and family responsibilities.
 - **Talent** – An individual forming a nonprofit needs a small team to get the nonprofit up and going. Accounting, marketing and fund raising are of prime importance. Where will you find these talents?
 - **Treasure**- Filing fees alone will cost from \$525 to \$975. Where will you find the money to cover these costs and your startup cost?

THINK SMALL

Some wishing to start a nonprofit believe that once they have nonprofit status that the donations will be easily obtained.

1. Review Applications for Recognition of Exemption

- Review Application for Recognition of Exemption (IRS form 1023) and Streamlined Application for Recognitions (IRS form 1023EZ) to determine which application is best for your organization

2. Articles of Incorporation

- Review the State of Ohio (www.ohio.gov) Articles of Incorporation for an understanding of that form

3. Prepare a Nonprofit Business Plan (www.bplans.com)

- While a Business Plan is not a legal requirement in forming a nonprofit, a good Business Plan increases your chance of success significantly. Your research and writing of the plan will prepare you to talk, with confidence, to anyone, in any setting, about your nonprofit

RECOMMENDED BUSINESS PLAN EXPERTISE

- **Writing**

- A poorly written plan will affect credibility. A writer will assure proper spelling, sentence and paragraph structure. A writer will tie the various segments of the plan into a seamless story

- **Marketing**

- A marketing person can assist you in proving that there is a need in your community for the services you intend to offer. A thorough community analysis is needed to prove your case.
- There is a need for a marketing strategy and a good marketing person will be invaluable

- **Accounting**

- This area is extremely necessary to help identify your startup costs and prepare a 3 year budget. Unfortunately, money drives the nonprofit world just as it does the for profit world. Knowing how much money you need provides a talking point with potential donors.
- As you form the nonprofit you will need the accountant to set up your accounting systems.

COMPOSITION OF THE PLAN

- **Keep it specific**
 - Avoid using words or sentences that are generalizations
- **Keep it simple**
 - Avoid using words meant to impress others with your command of little used words or phrases
- **Avoid acronyms**
 - Do not use words or concepts that are specific to your industry and generally understood by only those in your industry
- **Speak from the heart**
 - Find opportunities within the plan to tell your story in a way that will touch the heart of the reader

BUSINESS PLAN TEMPLATE

- **Executive Summary**
 - Contains **major points** from the other sections of the business plan. Must quickly capture readers attention
- **Needs Assessment**
 - Must prove there is a shortage of nonprofits to provide for all the individuals in need or how you will be different from existing nonprofits
- **Marketing Strategy**
 - Who your clients are & how they will be reached
- **Programs**
 - List of programs and how they will benefit the individual and the community.
- **Outcomes**
 - Define how you will measure the work you will do
- **Financial Plan**
 - Define how you have carefully assessed the cost of providing services for donors, including foundations
- **Fund Raising Plan**
 - Define how you will raise funds to sustain your nonprofit
- **Organization and Management**
 - Provide bios of key personnel to demonstrate their non profit managerial experience
- **Board**
 - Provide bios of board members to establish credibility. Important to include an attorney
- **Accomplishments**
 - Any major happening that brings credibility to the nonprofit.

HOW TO BEGIN FORMING A NONPROFIT

- **Create your Mission Statement**

- A non profit is created to provide the community with certain services.
- A mission statement tells everyone why you exist. We exist to.....
- Examples of mission statements:
 - “To promote independence and foster the highest quality of life for people with visual impairments, including those with multiple disabilities.”
 - “To improve academic achievements for youth through business, community and education partnerships.”

PREPARE YOUR FINANICALS

- **Prepare startup costs budget**
 - What money will it take to start your nonprofit?
 - Filing fees, computers, desks, rent payment, utilities, salaries, etc. This will help determine the feasibility of your nonprofit
- **Prepare a 3 year financial forecast/budget**
 - Carefully think through what all your income and expenses will be
- **Create Fund Raising Plan**
 - Once you know what your startup expenses and 3 year expenses will be then you have to plan where these monies will come from

START THE LEGAL PROCESS

This is where to start with the legal process in the formation of a nonprofit

- **Create your name and check for availability and reserve name**
(www.sos.state.oh.us)
 - If an existing business or nonprofit already has the name you wish to use, Ohio will not permit you to have the same name and you will have to create a new name
- **Check/reserve Domain name for website**
 - If at all possible you want your nonprofit name to be the same on the website as the name on file with the Secretary of State
- **Recruit and appoint directors**
 - The State of Ohio and most states require that you have at least 3 Board members listed on your Articles of Incorporation

INCORPORATE YOUR NON PROFIT

- **Prepare and file Articles of Incorporation** (www.sos.state.us)
 - The first legal step is to incorporate with the Ohio Secretary of State.
 - By filing you are creating the legal entity
 - File electronically as a nonprofit corporation. Filing fee is \$125
 - **Do not file a an LLC** (Limited Liability Corporation)
- **Incorporation Tips**
 - The Articles of Incorporation must accompany your IRS 1023 filing. IRS requires certain clauses to be in your Articles. If they are not there they will return them and you will have to refile with the state. Clauses that must be in the Articles
 - Organized for charitable purposes
 - No political activity
 - Dissolution Clause
 - Sample Articles of Incorporation can be found at www.irs.gov and www.dlmp.org .

RECORD KEEPING & MEETINGS

- **Create By laws**

- You must have by laws. By laws are simply how you are going to govern and manage. There are several websites you can visit for examples of nonprofit by laws

- www.rocketlawyer.com & www.formswift.com

- **Hold an organizational meeting which is the first board meeting**

- Elect Board members & officers
 - Approve by laws
 - Create Committees

- **Keep a records book**

- A binder to hold your important documents so they are not lost. Should include:

- IRS Letter of Determination
 - State certification of Articles of Incorporation
 - By Laws
 - Insurance policy

FEDERAL FILINGS

- **Obtain your Employer Identification Number (www.irs.gov)**
 - This will be the easiest work to do in the whole process. An E.I.N can be obtained by phone or electronically. An EIN is required to file the Application for Recognition of Exemption (IRS form #1023).
- **Complete and file the Application for Recognition of Exemption (www.irs.gov)**
 - There are two Applications that may be used:
 - **1023EZ**
 - For nonprofits with a projected annual budget for each of 3 years under \$50,000 and with assets less than \$250,000
 - Must qualify. Electronic filing and payment of filing fee. Approval time 4-6 weeks
 - **Form #1023**
 - For nonprofits with a projected annual budget in excess of \$50,000 and/or assets of more than \$250,00 or who do not meet the Eligibility Worksheet requirements. Approval time 9-12 months
 - There is a different fee structure from the 1023EZ in filing this application. If the budget for each year of the next three years is under \$10,000 the fee is \$400 and over \$10,000 the fee is \$850

MARKETING & REGISTRATION

- **Create a website**

- A website is a must in today's nonprofit world to create credibility
- When you approach others for donations the first thing they will do is check your website
- It is common today for donors to make a donation through your website using their credit card or Paypal
- It is an inexpensive way to market your nonprofit

- **Utilize Social Media and Email**

- A MUST. Email blasts and social media are ways to inexpensively broadcast your needs for board members, raise money, promote events, motivate donors to give

- **Register with Ohio's Attorney General (www.ag.oh.us)**

- The Attorney General wants to know who is raising money in this state for charitable purposes
- Register only after you have received the Letter of Determination from IRS

- **Register with the Department of Taxation**

- This will permit the organization to avoid paying retail sales tax on purchases

OPERATIONAL CONSIDERATIONS

- **Open a bank account**
 - Banks require a board resolution that approves opening the account and designating the individuals authorized to sign checks
- **Apply for a Nonprofit Postal Permit**
 - The Post Office will discount mailing rates for a nonprofit
- **Obtain Insurance for organization and directors**
 - As you grow you may find it prudent to have insurance for the following:
 - Building
 - Contents
 - Equipment
 - Liability (Someone gets hurt in your offices)
 - Liability (Poor action on the part of an employee)
 - Director's liability (Protects board members)
- **Payroll taxes: State/Local/Federal**
 - If a nonprofit has paid employees it must collect and pay any and all payroll taxes including Workman's Compensation

FUNDING OPPORTUNITIES BEFORE NONPROFIT STATUS IS APPROVED

Once you have filed the Application for Recognition of Exemption (#1023) you may begin raising money. You must advise the donors that you've filed for tax exemption and are awaiting approval. If the IRS would reject your application the donor would not be entitled to a tax deduction. There are few resources for funding your startup:

- **Personal contributions**

- Most startups are fund by money from your personal assets or money from friends or relatives

- **Events**

- Most individuals are not looking for a tax deduction when they donate small amounts. The \$5-10-25-50 amounts. Focus on an event that will ask for the smaller donation

- **Social Media/Friends**

- Broadcast your need for financial support to all of your Facebook, Twitter, friends and ask your friends to broadcast to all your friends

BOARD RECRUITMENT

- **Before Recruiting**

- Build a profile that best exemplifies the core values of the organization and the skills, attributes and qualities that are needed for a particular Board position.
- Know what you wish the potential board member to do for the organization. The first question a potential board member will want to know is what you wish him/her to do.
- Create a case study that will appeal to the heart. How you provide hope and improve the lives of those you serve.

- **When Recruiting**

- Always tell the mission and the case study before asking a potential board member to serve
- **Personal Contacts** - You will need 3 board members for the initial board to file Articles of Incorporation
- **Events** - Have an informal get together seeking advice. Tell them of your wish list and if they don't volunteer ask them to serve
- **Social Media** - Broadcast to all your friends and relatives and ask your friends and relatives to broadcast to all their friends
- **Retirees** - Retirees have the most flexibility with time. Many have the talents you are seeking
- **Churches** - Place an ad in the Sunday bulletin. Ask the pastor and elders for individuals who might be good candidates

LEGAL STEPS REVIEW TO FORM A NON PROFIT

- Recruit 3 board members for the Articles of Incorporation.
 - You can be one of the 3
- Complete and file Articles of Incorporation
- Obtain an E.I.N. from the IRS
- Complete and file IRS form 1023EZ or 1023
- Register with the Attorney General



Thank You!

Contact SCORE Today for a Mentor

www.score.org

We have the small business expertise you're looking for!