

Top 10 Common Mistakes of Nonprofit Start-Ups

1) Poor Initial Research

While passion for your cause may be strong, research is essential before determining if a need exists for a new organization to address it. Can the need be addressed if you partner with an existing organization? Do you have any idea of the operational aspects of a nonprofit organization? Would the organization qualify for tax-exempt status? Read everything you can before starting.

2) No Business Plan

You will quickly discover that a nonprofit organization is a business. In order to survive, it must have at least as much money coming in to the business as it has going out in services and expenses. Have you written a realistic business plan?

3) Not for a Charitable Purpose

Sure it's a great idea, but does it qualify as a charitable cause? The basic definition of a tax-exempt 501(c)(3) nonprofit organization is one that serves the public good and is organized for religious, charitable, educational, scientific or literary purposes. If you are unsure, research similar organizations for information.

4) Failure to Register

In the US, registration is required in most states. Some people think they don't have to register and since they are "nonprofit" they won't get in trouble. Wrong! Registration of nonprofits, paid solicitors and fundraising counsels protects citizens from becoming victims of fraud and helps to maintain a responsible environment for charitable work.

5) Failure to Keep Good Records

As a business, the organization will be required to file various reports of business activity. You just can't make things up thinking that you won't be held responsible. (see Failure to Register) If you are not organized, learn to be before starting a nonprofit.

6) No Funding Plan

Raising money is a tough and competitive requirement of most nonprofit organizations. If your experience with raising funds was through attending a dinner, golf outing, bake sale or car wash, you need help with fundraising. Without funding, there is no way to sustain a nonprofit organization.

7) Not Complying with IRS Statutes

Most nonprofits must file federal and state forms and you need to learn what the government requires of nonprofit organizations. You receive great tax breaks by being a 501(c)(3) nonprofit and complying with

reporting is a fair deal considering the benefits you receive. To help you, the IRS has a Web site dedicated to exempt organizations – <http://www.irs.gov/eo>

8) Misjudging Time Requirements

Operating a nonprofit organization is not a hobby. If you think that you can run a nonprofit organization part-time, you need to have others helping you or you will fail. When you consider that it is a business and is subject to filing and reporting requirements in addition to service work, you quickly realize it requires a full-time commitment.

9) Not Building an Effective Board

Leadership is critical and an effective board is one that is composed of talented, dedicated and working people. Your board should add integrity to your work, offer access to funding, provide some of the expertise you need and be dedicated to your mission.

10) Not Investing in Professional Talent

At a minimum, you will need a lawyer and an accountant to help you get started. They don't need to be on staff and can be retained only as needed. The same is true for fundraising counsel. For the few critical areas that will make or break an organization, you will be better able to survive by paying a professional well for the time you need rather than paying an inexperienced worker to muddle through. Having certain systems set up by experienced professionals will save money in the long run.

Source: www.nonprofit.about.com