

Starting and Building a Nonprofit

7th Edition

Peri H. Pakroo, J.D.

Table of Contents

Introduction – Your Nonprofit Start-Up Companion	1
Who This Book Is For	1
Nonprofit Basics.....	1
Corporations in General	2
Personal Liability.....	2
Taxation	2
Nonprofit Corporations.....	2
Tax-Exempt Status of Nonprofits.....	4
Running a Nonprofit.....	4
Importance of the Nonprofit's Mission	5
Collaborative Management	5
Finding and Keeping Qualified Staff	6
Raising Money.....	6
How to Use This Book	6
 Chapter 1 – Naming and Structuring Your Nonprofit.....	 9
Learning Objectives	9
Introduction.....	9
Choose a Name for Your Nonprofit.....	9
Avoid Trademark Conflicts	9
Consider Domain Name Availability	11
Name Requirements for Nonprofit Corporations	11
Should You Incorporate?	12
Liability Issues	13
Tax Exemptions	17
Financial Accountability.....	18
Other Considerations	19
Incorporation Paperwork: Articles of Incorporation and Bylaws	20
Do You Want Tax-Exempt Status?.....	21
Tax-Exempt Status in General	22
501(c)(3) Tax-Exempt Status	27
Unrelated Business Income Tax.....	28
State and Other Tax Exemptions	28
How Important Is Tax Exemption to Your Organization?.....	29
Should You Have Voting Members?.....	30
Why You Probably Don't Want Voting Members	31
Practicalities of Having Voting Members.....	31
Review Questions.....	32
Review Answers	34
 Chapter 2 – Developing Your Strategic Plan.....	 37
Learning Objectives	37
Introduction.....	37
Strategic Plan Basics	38
Keep It Simple	38
Choose a Time Frame	39
Decide Who Will Participate	39
Develop Your Mission Statement	40
What Is a Mission?	40
A Clear Mission Is Critical	41
Defining Your Mission	42
Outline Specific Goals, Objectives, and Activities	45
Assess Your Resources.....	46
Develop Strategies	48

Table of Contents

Edit and Finalize Your Plan.....	49
Review Questions.....	50
Review Answers	52
Chapter 3 – Developing Your Initial Budget.....	55
Learning Objectives	55
Introduction.....	55
Set Up Your Budget.....	56
Distinguishing Program Funds from Administration Funds.....	56
Tracking Restricted Income.....	57
Estimate Income.....	57
Estimate Expenses.....	58
Regular Expenses	59
Capital Expenses.....	60
Start-Up Costs	60
Assemble Your Budget	61
Review Questions.....	65
Review Answers	67
Chapter 4 – Your Board of Directors	69
Learning Objectives	69
Introduction.....	69
What Makes a Good Board.....	70
Passion and Commitment.....	70
Willingness to Help Raise Money	71
Connection to Many Communities.....	71
Diverse Viewpoints	72
The Board's Duties and Tasks	72
Board Members' Legal Duties.....	72
Board Roles versus Staff Roles.....	73
Typical Board Activities.....	73
Board Meetings	74
Board Officers.....	74
Board Policies and Procedures	75
Number of Directors.....	75
Terms and Term Limits	76
Board Member Responsibilities.....	76
Performance Practices and Removal Policies	77
Creating a Board Guidebook.....	78
Recruiting Board Members.....	78
Evaluate Your Needs	79
Make Sure Recruiters Understand Board Members' Responsibilities.....	79
Educate Prospects and Incoming Board Members	81
Elect Officers	81
Holding Effective Board Meetings	82
Meet Regularly	82
Invite Staff and Outsiders When Appropriate	83
Give Notice of Meetings.....	83
Draft a Solid Agenda.....	84
Start on Time	85
Understand Decision-Making Methods	85
Deal With Problem Board Members	85
The Role of Committees	86
Review Questions.....	88
Review Answers	90
Chapter 5 – Your Workforce: Staff and Volunteers.....	93
Learning Objectives	93
Introduction.....	93

Table of Contents

Developing a Management Strategy	93
More Activities Require More Staff and Structure	94
Provide Clear Direction	95
Issues with Founders	96
Hiring an Executive Director.....	98
Are You Ready for an Executive Director?.....	98
The Executive Director's Role	99
Hiring Criteria.....	99
Developing a Review Procedure	100
Hiring and Managing Staff and Volunteers	101
Determine What Tasks Need to Be Done	102
Create Positions and Job Descriptions	103
Develop Staff Hierarchies	104
Create Review Procedures	104
Create a Staff/Volunteer Handbook.....	104
Orient New Workers.....	105
Employees and Independent Contractors.....	106
Laws and Taxes.....	106
IRS Criteria	106
Required Paperwork, Filings, and Taxes	108
Rules for Employers.....	108
Rules When Hiring ICs.....	109
Review Questions.....	111
Review Answers	113
Chapter 6 – Fundraising.....	115
Learning Objectives	115
Introduction.....	115
The Golden Rules of Successful Fundraising	115
Relationships Are Everything	115
Target the Best Potential Donors	116
Build a Compelling and Detailed Case	116
Put Your Board of Directors to Work	117
Focus on the Big Picture.....	117
Your Fundraising Plan	117
Define Your Fundraising Targets and Budget.....	118
Fundraising Targets	119
Fundraising Budget.....	119
Find Prospective Donors	121
Start With Your Closest Contacts	121
Use Networking Techniques	122
Keep Your Lists Organized and Updated.....	123
Define Your Fundraising Campaign.....	123
Membership Drives.....	124
Fund Drives	126
Capital Campaigns	126
Planned Giving	127
Fundraising Tools	127
Asking for a Gift by Phone or in Person.....	127
In-Person Appeals	128
Telephone Solicitations.....	129
Door-to-Door Canvassing	130
Email Appeals.....	130
Crowdfunding and Social Media.....	131
Direct Mail	133
Special Events.....	135
Sell Products or Services	136

Table of Contents

Funding From Grants.....	138
Researching Available Grants.....	138
Writing Grant Proposals.....	139
Corporate Sponsorships	140
The Law of Fundraising.....	141
Disclosures to Donors.....	141
Charitable Solicitation Registration and Reporting.....	143
Working with Professional Fundraisers.....	144
Review Questions.....	146
Review Answers	148
Chapter 7 – Risk Management and Insurance.....	151
Learning Objectives	151
Introduction.....	151
Common Legal Problems.....	152
Contract Disputes	152
Employment Claims.....	152
Personal Injury Lawsuits	154
Who Is at Risk?	155
Liability for the Nonprofit	155
Liability for Board Members.....	156
Liability for Employees	158
Liability for Volunteers.....	158
Managing Your Nonprofit's Risks	160
Anticipate What Can Go Wrong	160
Focus on Prevention.....	161
Obtain Appropriate Insurance	162
General Liability Insurance.....	163
Product Liability Insurance	163
Property Insurance	163
Auto Insurance	165
Directors and Officers Insurance	165
Professional Liability Insurance	166
Investigating and Purchasing a Policy	166
How to Deal with Problems Effectively and Minimize Risks.....	166
Review Questions.....	168
Review Answers	170
Chapter 8 –Understanding Contracts and Agreements.....	173
Learning Objectives	173
Introduction.....	173
Contract Law Basics	173
Agreement between Parties.....	174
Exchange of Promises or Things of Value	175
Oral versus Written Contracts	176
Using Contracts in the Real World.....	178
Using Standard Contracts	178
Using the Other Party's Contract.....	179
Signing a Contract	180
Modifying a Signed Contract	180
Typical Contract Terms.....	180
Contract Title	180
Names and Addresses of Parties	180
Brief Background Description.....	181
Description of the Services or Products	181
Schedule and Deadlines	182
Price.....	182

Table of Contents

Payment Arrangements	183
Warranties	183
Indemnity.....	183
Duration of Contract.....	184
Terminating the Contract.....	184
Resolving Disputes	185
Applicable Law	185
Signatures and Dates	186
Electronic Contracts.....	186
What Is an Electronic Contract?.....	186
Taking Traditional Contract Principles Online	187
Electronic and Digital Signatures.....	187
Federal Law on Electronic Signatures	187
Review Questions.....	189
Review Answers	190
Chapter 9 – Marketing Your Nonprofit.....	193
Learning Objectives	193
Introduction.....	193
Marketing and Branding in a Nutshell.....	194
Common Marketing Terms.....	194
Know Your Audience and Your Field.....	195
Who Is Your Nonprofit's Audience?.....	195
Learning About Your Field	196
Market Research	197
Clarifying Your Research Objectives.....	197
Primary Research Tools.....	198
Secondary Research Tools.....	199
Fundamental Marketing Tools.....	200
Networking	200
Media Relations.....	201
Listings or Directories	204
Review Questions.....	206
Review Answers	208
Chapter 10 – Publishing Informational Materials	211
Learning Objectives	211
Introduction.....	211
Decide Whether to Publish.....	212
Do You Have Substantive Information to Convey?	212
Do You Have the Necessary Resources?	213
Create a Publishing Plan.....	213
Define Your Editorial Mission and Features	213
Evaluate Your Resources	214
Choose Your Media	215
Putting It All Together	218
Copyright Basics for Nonprofit Publishers.....	219
What Copyright Protects	220
Ownership and Works for Hire	220
Sample Contractor Work-for-Hire Agreement.....	222
Sample Volunteer Assignment Agreement	222
Review Questions.....	226
Review Answers	228
Chapter 11 – Spreading the Word Online About Your Nonprofit.....	231
Learning Objectives	231
Introduction.....	231

Table of Contents

Planning Your Online Activities	232
Understanding Your Options Online	234
Email Outreach.....	234
Blogging	235
Social Media: Facebook, Twitter, and More.....	235
Planning a Website Project	236
Identify Participants	236
Consider Desired Functions.....	237
Develop Design Direction.....	238
Learn About Technology Options	238
Set a Realistic Budget.....	239
Outline a Schedule	240
Draft an Outline of Site Content.....	240
Choosing and Working with a Web Developer.....	240
Criteria for Choosing a Web Developer	241
Proposals, Quotes, and Contracts.....	242
Your Role in Developing Your Site	242
Creating Your Site	243
Define Strategy and Goals.....	244
Define Content and Information Architecture	244
Develop Graphic Design Elements (Look and Feel)	245
Create Content	246
Build Your Site.....	247
Test Your Site.....	247
Train the Site Managers.....	247
Domain Names and Hosting	247
Register a Domain Name.....	247
Choosing a Web Host.....	248
Driving Traffic to Your Site	248
Use Facebook and Social Media.....	249
Optimize for Search Engines.....	249
Use Off-Line Methods	250
Intellectual Property: Who Owns What?	251
Review Questions	253
Review Answers	255
Chapter 12 – Managing Your Finances.....	257
Learning Objectives	257
Introduction.....	257
Bookkeeping and Accounting Overview	258
Bookkeeping versus Accounting: What's the Difference?	259
Cash versus Accrual Accounting.....	259
Tracking Income and Expenses	261
Recording Income.....	261
Track Sales Tax Separately	263
Recording Expenses	264
Creating Basic Financial Reports	264
Income Statement.....	264
Cash Flow Projection	265
Audits, Reviews, and Compilations	268
Reporting Requirements	269
Using Technology to Manage Your Money, Donors, Projects, and More.....	269
Bookkeeping Software	271
Spreadsheet Software	271
Project Management Software	272
Fundraising and Donor Management Software.....	273
Customized Databases	273

Table of Contents

Review Questions.....	275
Review Answers	277
Chapter 13 – Hiring Lawyers, Accountants, and Other Professional Help	279
Learning Objectives	279
Introduction.....	279
Relationships Are Critical	279
Working with Lawyers	279
What to Look for in a Lawyer.....	279
How to Find a Lawyer	280
Using a Lawyer as a Coach	281
Dealing with Bills and Payments	282
Working With Accountants and Other Professionals.....	283
Bookkeepers versus Accountants	283
Finding Prospects	284
Review Questions.....	285
Review Answers	286
Appendix: How to Use the Interactive Forms on the Nolo Website	289
Editing RTFs.....	289
List of Forms Available on the Nolo Website	289
Glossary.....	291
Index	295