

THINKING ABOUT STARTING A NONPROFIT?

Considerations before turning your idea into a nonprofit organization.

Developed by the Omaha Community Foundation in collaboration with the Nonprofit Association of the Midlands

If you are passionate about making your community a better place, you might want to start your work by establishing a new 501(c)3. Before you make that commitment, however, take the time to understand community needs, the effort it takes to establish a 501(c)3 and the reality of sustaining a new legal entity. This sheet is designed to walk you through the considerations of how to put your skills, knowledge, and enthusiasm to the best use.

PRELIMINARY STEPS: RESEARCH AND NETWORKING

- Research organizations that are already doing similar work.
 - If there are coalitions or umbrella organizations for your area of interest, attend their public meetings to start networking.
 - Join existing efforts as a board member, volunteer, or staff member.
 - Set up informational interviews with nonprofit leaders in your area of interest to start building relationships and to learn more about current efforts.
- After you have done community research, take time to think about the following:
 - What is the unmet community need your organization would fill?
 - What are the gaps in existing services that your organization will meet?
 - How will your organization be funded?

EXPLORE THE ALTERNATIVES TO STARTING A NONPROFIT

- Research national organizations and establish a local chapter.
- Put on a special event or start a pilot program with a nonprofit partner organization.
- Enter a fiscal sponsorship relationship with a 501(c)3 organization, where the fiscal sponsor takes on the responsibility of receiving grants and tax-deductible donations on your behalf. With the extra duties of accounting and record-keeping, the fiscal sponsor may charge a fee, based on a percentage of funds received. Note that OCF and NAM do not broker fiscal sponsorship relationships, as they work best if they grow naturally from existing partnerships. A formal agreement/contract and legal counsel involvement are advisable.
- A nonprofit agency account at the Omaha Community Foundation may fit your needs. An Organization Fiscal Sponsorship Fund allows you to use OCF's tax-exempt status to operate and fundraise for your organization. A Nonprofit Agency Pass-Through Fund allows you to fundraise, and all grants must go to 501(c)3 public charities, not to pay for-profit vendors directly.



Omaha Community
Foundation

Let good grow.

FOR MORE INFORMATION, CONTACT US AT [GIVING@OMAHAFUNDATION.ORG](mailto:giving@omahafoundation.org)
OR (402) 342-3458

IF YOU ARE READY TO START A NONPROFIT

Incorporate through the Office of the Secretary of State.

1. Write Articles of Incorporation according to state statute requirements.
2. File Articles of Incorporation and fees with the Corporate Division of the Secretary of State.
3. Publish a notice of incorporation in a legal, local newspaper of general circulation for three weeks.
4. File affidavits of publication with the Secretary of State.
5. Obtain corporate record book and seal.
6. File for an Employers Identification Number (EIN) with the IRS. This is required of your organization, whether you intend to have employees or not.
7. Open a corporate checking account.

Receiving an Employers Identification Number is not the same as being a 501(c)3, the IRS designation that allows tax-deductible donations to your organization. Receiving that designation requires the Form 1023, a separate (and longer) process with the IRS, which tests to see that your incorporated nonprofit organization meets all the criteria for tax-exempt status. More information about the Form 1023 is available at www.irs.gov.

After you receive 501(c)3 public charity designation, you can receive tax-deductible donations from donors and foundations. Be prepared for tough questions that prospective funders often ask new nonprofits, including:

- Why was starting a new 501(c)3 the best way to solve this community problem?
- How will your organization secure sustainable funding?
- What is the current financial health of your organization?
- What is the succession plan for you and your board leadership?

HOW NAM CAN HELP (WWW.NONPROFITAM.ORG)

- Networking events and training seminars (some events are open only to NAM members).
- Special events such as the Nonprofit Summit and the Nebraska Charity Conference.
- Updates and alerts to help you stay aware of changing state and federal regulations.
- The Guidelines and Principles guide which outlines best practices in 10 organizational areas for nonprofits.

HOW OCF CAN HELP

- Discretionary grant programs for 501(c)3 public charities or organizations working with a fiscal agent.
- Nonprofit agency accounts.
- Program Connect, a biweekly email with grant opportunities and other items of interest to the nonprofit community.

For nonprofits in Iowa, please see the Iowa Principles & Practices for Charitable Nonprofit Excellence resource: <http://www.sos.state.ia.us/business/nonprofits>.