

You're a 501(c)3... Now What?

The next steps for a non-profit
organization



KEY POINTS

The following must be done in the process of the formation of a non-profit organization:

- Establish and develop a board of directors
- Complete and file required documents
- Maintain up-to-date records
- Organize and hire required staff
- Raise funds, develop a plan to maintain funding
- Develop a marketing plan
- Make plans for long-term growth and development

BOARD OF DIRECTORS

The board of directors for a non-profit is responsible for overseeing and managing the affairs of the organization. A board of directors consisting of at least three members is required in Indiana. Due to conflict of interest considerations, the board should not consist of employees or family members of employees.

For more information on board development, please consult Board Source resource entitled Boards and Governance. <https://boardsource.org/>



REQUIRED DOCUMENTS

The following documents are essential to the formation of a non-profit:

- Articles of Incorporation
- Vision Statement
- Mission Statement

ARTICLES OF INCORPORATIONS

The Articles of Incorporation are to be filed with the Indiana Secretary of State's office. A template of the document may be found on the Secretary of State's website, at <http://www.in.gov/icpr/webfile/formsdiv/04162.pdf>. Information required in this document includes:

- Name and principal office address
- Purpose of organization (optional)
- Type of corporation
 - Public benefit corporation
 - Religious corporation
 - Mutual benefit corporation
- Registered Agent (for a list of registered agents in Indiana, visit <http://www.registered-agent-listings.com/>)
- Membership
- Incorporators
- Distribution of assets upon dissolution/final liquidation



VISION STATEMENT

- An organization's vision statement expresses its overall goal for the future. What are the values and beliefs that inform the organization's work? What would the organization hope to eventually accomplish? A vision statement can be broader and more idealistic than the mission statement, discussed in the next section.



MISSION STATEMENT

- An organization's mission statement describes the organization's overall purpose. How does the organization plan to work toward this broad vision? For whose benefit does the organization exist? The mission statement is more specific and immediate than the vision statement.



RECORD KEEPING

The following records, in either paper or electronic form, should be kept on file and up-to-date in a secure location within the organization:

- **Financial Records:** The organization should establish a budget and have an accounting system in place that tracks all revenue and expenses. For more information, please see the OFBCI resource on Financial Management.
- **Corporate Documents:** Corporate documents that should be filed and kept include board meeting minutes, bylaws, Articles of Incorporation, and other official records.

(continued...)

RECORD KEEPING PART 2

- **Personnel Records:** The following personnel records should be kept for each employee from the point of hire: job description, application, resume, employee contract, Social Security Number, W-2 form, performance appraisals, notices of promotion, and disciplinary actions. An employee handbook which addresses hiring practices, work hours, payroll status, holiday/vacation/sick leave, pension, etc. should be established and given to each employee.
- **Program Activity Records:** Program Activity Records are not a legal requirement, but are recommended. These would include information on the nature of services provided by the organization, the number of clients served, basic characteristics of the client population, and all contracts into which the organization has entered. These records should be kept available for at least 3-5 years.



STAFFING THE ORGANIZATION

- Before staffing an organization, make sure to map out a detailed plan of what kind of staff the organization is looking for: full-time or part-time; paid or volunteer; skilled, semi-skilled, or unskilled. If the organization will require volunteers, determine how they will be recruited (volunteer centers, word of mouth, churches, corporations, etc). Draft job descriptions for all volunteer positions and set up a system for interviewing potential volunteers. The work of all staff members and volunteers should be reported to the board.



RESOURCE DEVELOPMENT

The organization's funds should come from a diverse variety of sources. Two of the most common methods of securing financial resources for non-profit organizations are developing grant proposals and soliciting donations.

For more information on resource development, refer to Board Source resources on this topic. <https://boardsource.org/>

RESOURCE DEVELOPMENT -PROPOSALS

The requirements of writing grant proposals vary depending on each individual funder's requirements, but the following are general guidelines to preparing any grant proposal:

- Use clear, concise language
- Follow instructions and thoroughly address all criteria required by the funder
- Make sure the organization's mission is a clear and common theme in the proposed programs
- For more information on resource development, refer to Board Source resources on this topic. <https://boardsource.org/>

RESOURCE DEVELOPMENT-DONATIONS

When soliciting donations, there are a few important factors to consider.

- Be sure to cultivate relationships with potential donors before soliciting them
- Once a donation has been secured, determine and report the classification of the gift based on three factors:
 - Restrictions on the gift according to the donor's wishes
 - Liquidity (Is the donation cash or non-cash?)
 - Appreciation and income (realized or unrealized) that may be earned on the donation and donor restrictions on either
- Provide a statement of contribution to the donor for all gifts greater than \$75 for the donor's tax purposes
- All contributions **must** be recorded!



MARKETING

Steps for non-profit marketing:

- Identify who the organization's market is. Who does the organization want to reach? This may include current and potential clients, donors, volunteers, etc.
- Develop a goal for each market. What message(s) would the organization like to convey to each of the target audiences?
- Choose a method of communication
 - Press releases
 - Public Service Announcements
 - Brochures
 - Direct Mail*
- Keep in mind that word-of-mouth from clients, volunteers, and the community is one of the most powerful marketing tools at an organization's disposal – and it's free!

*Non-profit organizations may be eligible for a discounted bulk rate for non-profits. Check with the local post office to find out how to apply.



FACILITIES

There are a few important considerations to take into account when planning the facilities that the organization will be using:

- The building should be easily identifiable and present a positive image of the organization.
- All facilities should be accessible to clients, and must comply with the Americans with Disabilities Act (<http://www.usdoj.gov/crt/ada/smbusgd.pdf>).



LONG TERM CONSIDERATIONS

Once an organization is established, it should begin to focus on the long-term considerations that will ensure the organization remains successful:

- **Evaluation:** In order to evaluate whether a program is effective in its services, there should be a plan for periodic measurement and analysis of the outputs and outcomes of the programs. The organization may also choose to hire an outside consultant for assistance in strengthening all aspects of the organization.
- **Staff Transitions:** An organization should always be cognizant of the possibility of personnel changes. A succession plan should be in place in case of the departure of key board or staff members. Also, as an organization evolves, keep in mind the option of strategic changes and additions to staff.
- **Growth and Development:** Any organization is constantly growing and changing. Because of this, a successful organization should be adaptive and flexible, yet still maintain a strong sense of mission for the work that it has set out to do.



CHARACTERISTICS OF A SUCCESSFUL ORGANIZATION

There are many qualities that a successful non-profit organization possesses, but the following are a few of the most basic:

- Strong and dedicated leadership on the board of directors
- Staff that are capable and committed to the program's mission
- Volunteers and systems which support the mission and the services provided by the organization
- A diversified revenue base

ADDITIONAL RESOURCES

- BoardSource “Starting a Nonprofit Organization” http://www.boardsource.org/dl.asp?document_id=17
- Foundation Center “Establishing a Nonprofit Organization” <http://foundationcenter.org/getstarted/tutorials/establish/>
- Free Management Library “Starting Your Nonprofit” http://www.managementhelp.org/strt_org/strt_np/strt_np.htm
- Indiana Code Title 23, Article 17 “Nonprofit Corporations” <http://www.in.gov/legislative/ic/code/title23/ar17/>
- IRS “Life Cycle of a Public Charity” <http://www.irs.gov/charities/charitable/article/0,,id=122670,00.html>