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Establishing a Nonprofit Organization

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What are the characteristics that define an effective nonprofit organization?

Grantmakers for Effective Organizations, an affinity group of the Council on Foundations, defines an effective nonprofit as one that has "the ability to fulfill its mission through a blend of sound management, strong governance, and a persistent rededication to achieving results." Establishing a nonprofit organization requires a full understanding of the key characteristics that will be important to future funders. They include a vital mission, clear lines of accountability, adequate facilities, reliable and diverse revenue streams, and high-quality programs and services.

As you embark upon the first steps of legally incorporating a nonprofit organization, drafting the bylaws, and building a board of directors, it is essential to keep these characteristics in mind.

This tutorial describes 12 tasks you will need to accomplish as part of the process of establishing a nonprofit organization:

- File the certificate of incorporation
- Select individuals to serve on the board of directors
- Develop vision and mission statements
- Establish bylaws and board policies
- Obtain an employer identification number (EIN)
- Open a bank account and establish check signing procedures
- File for federal tax exemption
- Follow state and local nonprofit regulations
- Find office space and obtain office equipment
- Recruit staff and prepare a personnel manual
- Establish a payroll system and procure necessary insurance coverage
- Develop an overall fundraising plan



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