



# The Essentials for Running a Non-Profit

Running a nonprofit can be incredibly rewarding, but it can also be a great challenge. Because there is no one person in charge of a nonprofit, getting the board of directors on the same page and all working in the same direction can take some effort. With a great support team and by sticking to these top ten essentials, your nonprofit can be stronger and more effective than ever.

## 1. Get clear on your mission.

As a nonprofit leader, you know that the most important part of your organization is its mission. However, when a number of people are involved in the same organization, it is easy to end up with a variety of different visions for the organization and a bunch of different approaches. This diversity of opinion is great, and it will help foster a healthy and impactful nonprofit organization. However, failure to get clear on the central mission of the organization can result in disorganization, conflict, and an inability to focus on results.

If your organization does not have a mission statement (or if the mission statement was written by the founder alone without the input of other board members), we recommend taking some time as a board to rewrite the mission. Going through the process of crafting the mission statement together, rather than voting on a statement written by only one or a few board members, is incredibly valuable. Sitting down to agree on wording, what to include and exclude, and what themes should be highlighted will help your board get clear on the mission and feel ownership over the process and the vision.

## 2. Gather a great Board.

The board of a nonprofit serves a very special purpose. In a nonprofit organizational structure, there is no one person in charge. Instead, a group is in charge of the organization, and it meets regularly to vote on major policy decisions, create a budget, and develop goals for the year. A nonprofit board is entirely unpaid, so each board member should feel passionately enough about the mission that he or she is willing to donate time to the organization. Very often, organizations will also require that their board members financially contribute to the organization each year. Boards should meet at least quarterly and keep minutes of everything discussed and decided at each meeting (these meeting minutes should be made available to the board after the meeting).

A great nonprofit board is all about diversity. The most effective boards are made up of individuals who believe in and fully understand the organization's mission and have a diversity of experiences, expertise, and communities. Throughout an organization's life, it will need different things at different times. Board members with a variety of experiences and expertise will be able to bring their talents to the organization when needed. Many boards, try to include an attorney, an accountant, members of the population served by the organization, and experts in services appropriate for this organization.

Another important area of diversity required for a nonprofit board is a diversity of communities. In general, nonprofit boards should be majority independent (meaning, the majority of the people on the board are not tied through business relationships) and majority unrelated (the majority of the people of the board are not related to one another). Beyond the legal requirements to avoid conflicts of interest,



however, there is also a financial reason for wanting board members to come from a diversity of communities: fundraising. If everyone on the board comes from one particular neighborhood, one school, or one friend group, the pool of potential donors can be quite small. Board members from different communities will have a much wider reach because they can each tap into their own diverse networks for support.

### **3. Craft Bylaws.**

A nonprofit organization's bylaws are the rules by which it governs itself. The bylaws don't need to be filed with the state or provided to any supervising authority. Instead, they are an internal code that describes how the organization will be structured and how decisions should be made. Bylaws should be kept with the organizing documents of the nonprofit, and every board member should have a copy. An effective set of bylaws often includes

- The nonprofit's clearly stated mission
- An organizational chart showing the structure of the organization and defining board members' roles, expectations, and responsibilities
- A minimum number of board meetings required per year
- Procedures for electing board members and officers
- Board terms (including how long officers serve their terms)
- Descriptions of any standing committees
- Requirements for a quorum (this is how many people need to be present at a board meeting to make decisions on the organization's behalf)
- Procedures for filling vacancies on the board
- Procedures for amending bylaws

### **4. Create a Conflict of Interest policy.**

A conflict of interest policy is another document that doesn't need to be filed with the state or federal government, but which is very important for the internal operation of a nonprofit. The conflict of interest policy is a strategy we encourage organizations to adopt as a means to establish procedures that will offer protection against charges of impropriety involving officers, directors or trustees. The conflict of interest policy is a document that should be distributed to all board members and signed by the whole board every year. You can view a sample conflict of interest policy [here](#).

Most importantly, the policy outlines a procedure for board members to disclose potential conflicts of interest and for the rest of the board to determine how those potential conflicts should be handled. A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer, director or trustee votes on a contract between the organization and a business that is owned by the officer, director or trustee.



## **5. Choose an entity structure and tax status.**

If your nonprofit is not yet incorporated, this is essential. Incorporating a nonprofit offers legitimacy, allows you to fundraise and do things like open a bank account, and it offers liability protection for the members of the board. Without a corporate entity, any liabilities of the nonprofit are the responsibility of the individual board members.

Once you have incorporated, your organization will be able to register with the Canada Revenue Agency and allow you to file tax returns, operate a bank account as well as flexibility for additional documentation and hiring of employees.

## **6. Develop an annual budget and strategic plan.**

Each year, the board should adopt an annual budget. This budget can be created in coordination with any staff that may handle the organizations day-to-day operations, and it should be regularly reviewed throughout the year. Although an organization's staff may be responsible for following the budget and giving input on financial allocations, the board is ultimately responsible for the financial health of the organization.

Many organizations also choose to create a strategic plan, generally outlining the organization's plans and goals over the next three to five years. A longer-term set of goals, such as a strategic plan, can influence and help guide the annual budgeting process.

## **7. Create a realistic fundraising plan.**

To work well and promote a healthy nonprofit organization, a fundraising plan should take into account both short- and long-term strategies. Short-term fundraising goals may include annual fundraising events, seasonal fundraising campaigns, and ongoing outreach to individual donors. These shorter-term campaigns allow the board to check in throughout the year and make sure that it is on track to meet specific goals.

However, organizations with plans to apply for grants will need to have a longer-term component to their fundraising goals. Many grants take over a year between the application and awarding process. Some grants include payments over multiple years, and others are one-time awards. In order to plan for ongoing expenses such as employees, facilities, and programming, as well as to plan for expansion and continued growth, a realistic fundraising plan is a must.

Keeping a fundraising goal realistic, especially at the beginning of an organization's life cycle, is essential. Often, founders and board members expect the organization to expand quickly through a massive influx of funds right at the beginning. Although this is possible, it is not a common experience. Instead, nonprofit organizations often take three years to raise consistent and sustainable funds that allow for hiring employees and expanding the organization's vision.

## **8. Fundraise through a diversity of sources.**

As mentioned earlier in this checklist, funds are likely going to come into the organization from a variety of sources. A healthy nonprofit organization is able to fundraise using a mix of public and private



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funding, as well as a mixture of individual and organizational donors. Where appropriate, a lot of nonprofits also raise funds through federal, state, or local grants.

By diversifying sources of fundraising income, the nonprofit can protect itself from the unexpected reduction in funds from any one of these sources.

Early in an organization's development, funds are often raised through the founder, the board of directors, and their immediate friends and family. While this is a great way to boost community buy-in and get off the ground, it can be difficult to continue tapping the same individual donors year after year, especially as the organization begins to grow. Fundraising using a variety of sources is a creative and often detail-driven process. Identify the person within your organization that has the right skill set for fundraising and make sure that that person has the support they need. If no one on your board has the skills or the interest in fundraising – or if your organization's fundraising has reached a level that it requires more help – the board may consider hiring a fundraising manager. An experienced fundraising professional, whether an employee, contractor, or fundraising service, can help craft a fundraising plan that prioritizes diversity and sustainability.

## **9. Keep stakeholders in the loop.**

At the end of each year, it is important to take stock of what the nonprofit accomplished. Not only will you likely need to do this to file your annual taxes, state filings, and grant reports, but it is an important way to keep stakeholders and donors involved. An annual report, outlining how much was raised, how funds were used, the impact the organization's efforts had on the mission, and what the organization hopes to accomplish in the coming year, is a great way to keep stakeholders in the loop, engage with donors, and update the community on the great work you are doing. This is your chance to brag!

## **10. Engage in an annual self-assessment.**

Internally, it is also essential to take time for self-assessment, with the board of directors, any staff, and community members. A board of directors' self-assessment is used to measure progress, evaluate program outcomes, and check in to make sure the board is still engaged, excited, and committed to the mission. A self-assessment can also be a tool to point out where the nonprofit can improve its effectiveness in serving the mission.

*\*\*Credit to Law Office of Alexis Hart McDowell*