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# How to Start a Nonprofit | Step 1: Research

Starting and sustaining a nonprofit can be a significant challenge. There are currently more than one million charitable nonprofits in the United States, and many struggle to attract funding. Before starting out, you will want to identify the need for your specific organization: are there already similar nonprofits? If so are they serving the same geographic area or a similar group of beneficiaries? What will be your nonprofit's unique competency to help it stand out from the crowd and inspire donors to contribute?

Here are four questions to answer as you start this journey:

## **Is there a demonstrated need in the community for a new nonprofit with the mission you envision?**

- What problems will the new nonprofit solve?
- Who will it serve?
- Are there similar nonprofits (or for-profits) fulfilling the same needs/serving the same people? Are they financially stable?

- What will make your nonprofit better equipped to solve these problems?

Just as you would do if you were starting a for-profit business, you will need to define the demand and market for the services your nonprofit would provide. There is intense competition for limited dollars from individual donations and also from foundation grants.

In order to attract funding, you will need to demonstrate that there is sufficient need for your organization's services and that your organization is best equipped to address that need. As you look into who else may be providing services of a similar nature in the community, you may find other organizations doing similar work. Rather than starting a new nonprofit, it may make more sense to work with existing groups. Sometimes it's more efficient and effective to collaborate with other organizations rather than creating an organization that duplicates what others are doing.

- Have you investigated whether collaborating with a [fiscal sponsor](#) would be a useful first step?

## **What is the business plan for financing the organization during start-up and in the future?**

To be successful, a nonprofit needs more than just people passionate about programs. It also needs revenue and financial systems strong enough to support those programs over time. Investing the time to develop a detailed [business plan](#) will be useful when you are recruiting board members and seeking start-up funding.

- More about [nonprofit business plans](#) (Legal Zoom)

## **What are the costs to start the organization?**

Will you need office space or a facility? What will the program costs be, including labor (which may include payroll taxes and benefits)? In some cases, special licenses, permits, or certifications will be necessary to provide certain services, such as childcare or health care. We recommend finding experts, such as the [state association of nonprofits](#) in your state and/or local attorneys familiar with the operations of nonprofits, to get a clear picture of the many legal and operational

requirements.

Given the ever-growing competition for limited resources, make sure you have a realistic picture not only of what it will cost in time and dollars to create a nonprofit, but also how you will finance the day-to-day activities and continue to attract revenue into the future. Financial sustainability may be one of the most difficult challenges your nonprofit will face.

## **How will this newly formed nonprofit demonstrate its impact?**

In order for your nonprofit to be sustainable, you will need to demonstrate to funders that your organization is making an impact and is worth their continuing investment. To do that, you will need to [measure and demonstrate your impact](#). If you are not sure how to demonstrate the impact your organization is having, sustainability may be a challenge, and you may want to consider alternatives such as partnering with an existing nonprofit.

## **Is this the right solution for our community?**

Once you incorporate at the state level and secure tax-exempt status at the federal level, then the real heavy lifting begins: both internal (such as recruiting and orienting a great board, [hiring and managing talented staff](#), finding and equipping an office, setting up [financial structures](#), etc.) and external (such as [registering with the state](#) to solicit donations, securing any required licenses or permits, launching your fundraising program, and so much more). Plus, given the importance of earning donors' trust, you will want to have a clear commitment to [ethics and accountability](#) (such as adopting policies addressing [conflicts of interest](#), [compensation](#), travel, [whistleblower protection](#), and more).

In many cases, there may be better options to accomplish your goal of making a difference. If there is an organization in your community that you admire, consider approaching that organization to explore establishing a new or expanded program to reach the people you are hoping to serve.

If you have decided that there is a need for and it's feasible for you to create a new organization and make a commitment of time and resources to getting it off the

ground and sustaining it over time, then you're ready to move on to [Step 2 | Building a Solid Foundation](#).

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