



# THE **NONPROFIT** WORKBOOK



**TIPS & BEST PRACTICES FOR  
START-UPS SERVING  
THE GREATER COMMON GOOD**

**R. V. Rodriguez**

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Tips & Best Practices for Start-Ups  
Serving the Greater Common Good

**By R.V. Rodriguez**

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# PREFACE

Thank you for purchasing *The Nonprofit Workbook*. Clearly, the idea of starting a nonprofit organization has crossed your mind. You may even be obsessed by the idea. Congratulations! Starting any type of business is not for the faint of heart. It takes courage, effort, time, and money to undergo such a mammoth task.

If you are just beginning this journey and want to get an idea of what lies ahead, this workbook will do a great job to prepare you for the multitude of moving parts that you must and will encounter to experience success. If you have already started your endeavor and are in the first initial stages, this book will point out, confirm, or remind you of key steps you may want to do. For those who have already started, just compare what you have done so far to the contents and recommendations contained herein and realize you may want to backtrack and adjust some things or simply build upon what you have already begun.

Using this workbook, you will learn tips that separate the “successful” nonprofits from those that just cannot seem to arrive at a place of sustainability. Disclaimer – I write this workbook from the perspective that you want to change your community in a big way. Yes, it may very well happen that it is done one life at a time, but ultimately your goal is to make a lasting imprint and impact as big as possible. Just as with all massive endeavors, you must have a clear idea of what the goal is, set realistic expectations, work out a reasonable timeline, do the prep work to secure success, and be gentle with yourself all along the way. This workbook is designed not only to give you practical steps to take on this journey, but to remind you that all your dreams, including working for the common good, are achievable.

Inside this workbook, you will learn interesting facts, best practices, and ideas you may never have thought about. For example, did you know that there are 27 types of nonprofit designations, and that the typical 501(c)(3) may not be the best designation for you? Targeted information and exercises will help you determine which business and funding model best supports your idea, as well as how to leverage available funding. As a former fundraiser, I provide tips on various approaches to fundraising so you are better prepared to take on fundraising activity, if in fact you will be accepting donations. There are plenty of resources and example templates to help guide you. This is just a small glimpse of what you will find in the following pages! Packed with a generous bandwidth of information, *The Nonprofit Workbook* will cover all the steps to take before you register your entity with your state. It will also show you what an ideal first year could look like.

Are you ready? Let's get started!

# INTRODUCTION

Nonprofits can be phenomenally successful at changing lives and impacting the common good. The information throughout *The Nonprofit Workbook*, packed with thought-provoking exercises, walks you through how to start off on the right foot, what to consider throughout the process, and even gives you pause to determine if or which 501(c) designation is the best fit for you. In no way is this workbook an exhaustive “how to,” nor does it provide a linear approach. However, you will get a clear picture of all the moving parts. And as with all business ventures, there is a multitude of moving parts!

The information in this workbook is for the person who wants to create an entity designed to benefit the common good. The key word in the previous sentence is *common*. It is critical to realize that a nonprofit organization will be, and is, owned by the community it serves. I will explain that concept further along in this workbook.

According to a Nonprofit Sector Brief written in 2019 by the [Urban Institute](#), approximately 1.54 million nonprofits registered with the Internal Revenue Service (IRS) in 2016, an increase of 4.5 percent from the previous decade. Of those, approximately 35 percent that registered with the IRS reported an annual income of \$50,000 or greater.

The reporting nonprofits disclosed \$2.62 trillion in revenues and \$5.99 trillion in assets. In other words, between 2006 and 2016, these nonprofits experienced positive financial growth, and revenues and assets increased faster than the Gross Domestic Product (GDP). After adjusting for inflation, income grew 24.2 percent and assets grew 30.9 percent. Meanwhile, the national GDP merely registered a 13.6 percent growth during the same period. Giving to Religion captures most donations reported at \$131+ Billion representing 28%; Education comes in second at \$71+ Billion. Donations from individuals make up the lion’s share of giving representing 69% ~ \$324+ Billion according to data from Giving USA in 2020. The social sector is **BIG** business.

What about the 65 percent majority that did not even earn a minimum of \$50k in annual revenue? Maybe a portion of these organizations are in a start-up phase and not gaining traction as it relates to income, which is what triggers the filing of IRS Form 990. Just like their for-profit counterparts, nonprofits struggle in start-up phase, merge with other nonprofits, and sometimes close the business. In an interesting article by Candid, aka GuideStar, the numbers absent a pandemic are significant. For more detail, read Candid’s fascinating blog post: [“How many nonprofits will shut their doors?”](#)

**Exercise 1** – Read this article. Are there any takeaways for you from this article?

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Are you one of those people who is a serial entrepreneur or business-savvy? If so, then you know success and sustainability are achievable. All sources report that it typically takes two to three years for a business to make a profit. It took the behemoth Amazon 10 years to turn a profit! And the reality is, profit is never a guarantee. The facts above clearly demonstrate that nonprofits can be phenomenally successful, and the information provided in this workbook, along with some assignments, walk you through how to start off strong, what to consider throughout the process, and even give you pause to determine which business model is the best fit for you if in fact you will be leading this effort.

Having worked in and with the social sector for over 20 years, I gained an understanding of the inner workings of start-ups and small and large nonprofits. I am privileged to have experienced the breadth and depth of collaborating with generous donors, mission-driven leaders, and fearless front-line staff in a plethora of organizations from cradle to coffin, both stateside and on a global level.

Working with hundreds of nonprofit professionals and social entrepreneurs forming start-ups, I have observed and experienced the thought process of those who want to or have already started a nonprofit organization. I've even tried to talk people out of starting a nonprofit. I've sat in on meetings where a trustee of the largest foundation in the city suggested to the starry-eyed founder, after listening to his pitch, that he should consider opening a for-profit entity rather than a nonprofit. I've watched and consulted organizational leaders with double-digit years' operating under their belt who could not break \$200,000 in revenue in any given year, not be able to prove their social value, not even have a fundraising plan. This should not be. It does not need to be.

I have also worked with mature organizations with many commas in their operating budget, with national and global footprints, and the difference is night and day as it relates to operations and fundamentally, mindset. All these experiences inspired me to author *The Nonprofit Workbook*.

One of my dearest friends, who has operated a small nonprofit for years, told me that she "would not have listened to any advice when starting out" when I pressed her for what words of wisdom, she would give to someone just starting out. Yet, she also admitted that she "would do a lot of things differently." In the Appendix, I provide responses to a survey I did



with a group of social enterprise founders for what they would do differently if starting their venture all over again. This book, with many challenging exercises throughout, can save you a lot of grief and will give you a solid idea of what to expect and, more importantly, what can set you up for success. Starting a business takes tenacity, vision, a team and, as you are about to learn, discipline, sufficient capital, and a commitment to the long haul.

So, if you are ready to dig in and go for it as it relates to starting a nonprofit, I guarantee *The Nonprofit Workbook* will challenge your mindset, remind you that you are surrounded by abundance, and give you a firm foundation to lay or build upon.

In the following pages, I will share what I observed and learned — what is required in starting a nonprofit organization and tips on how to progress through the life stages of a nonprofit: start-up to adolescent to maturity phase. The maturity stage is marked by having attained sustainability. You will find that I use and refer to sustainability a lot throughout this workbook. Dictionary.com describes it as the “ability to be sustained, supported, upheld, or confirmed.” My definition in context of a sustainable nonprofit organization, any social enterprise is one that delivers effective and efficient services, has a healthy work culture, and is financially strong, including reserves for six months of operations.

I fervently hope that you will discover the pros and cons of founding a community organization and, most importantly, how to plan effectively, grow steadily, and deliver excellent programs to create positive tipping points for social change. Learning from others will help you get to your destination faster than traveling this journey alone. The truth is you cannot do it alone; nobody can. We need others. I guarantee that you will learn more about yourself as you continue down this path. Starting a business, and even more so a nonprofit, will teach you more about yourself than anything you have ever done. You will learn your limitations, face your fears (ignore or run from them), confirm where your flow is and where it is not and at the same time experience extreme exhilaration, humility, and gratitude. Fun, adventure, and important life lessons are in the journey. Here is the reality: Once you arrive at your destination, it is human nature for us to want to learn and grow more. Progress is the word. With that said, let’s start this life-changing journey.

# HOW TO USE THIS BOOK

This book is divided into three main parts, with a bit of overlap. It can be read sequentially but doesn't have to be. Since you are reading the e-workbook, and there are exercises to complete, you may consider grabbing a notebook to write down and respond to the assignments.

## Part One: Before Starting Your Business

- Entities That Work for the Common Good
- Writing Your Business Plan
- Complete Forms & Other Documents
- Volunteering
- Motivation – Define Your Why

## Part Two: Your First Year (or Two) in Business

- Working With a Board of Directors
- Using Volunteers
- Generating Income, aka Fundraising (funding your business / accessing capital)
- Monitoring & Evaluating
- Policies & Procedures
- Diversity, Equity, Inclusion
- Advocacy Efforts
- Collaborative Partnerships
- Fiscal Sponsor
- Four Restrictions to Starting a 501(c)3 Nonprofit

## Part Three: Conclusion, Resources & Appendix

Taking a course, reading a book, and/or even hiring someone like me doesn't mean that there aren't setbacks, bumps, and even curveballs as you start something new. But, as Abraham Lincoln once said, "If I only had an hour to chop down a tree, I would spend the first 45 minutes sharpening my ax." Wise are the social entrepreneurs, those who have a vision to make their community better, who invest the time, talent, and treasure BEFORE launching their .org.

Note: Throughout this book, I use *business model* and *funding model* synonymously.

## **PART ONE: Before Starting Your Business**

“You don't build a business, you build people, then people build the business.”

— **Zig Ziglar**

# ENTITIES THAT WORK FOR THE COMMON GOOD

Early settlers, predating our republic, did not have any governmental framework, so they formed charitable organizations and “voluntary” associations. From the start, there were two main types of organizations: public-serving and member-serving. Early public-serving organizations included places of worship and education, while member-serving charities included fraternal societies, as well as labor and agricultural organizations.

Of the nearly 1.8 million registered nonprofits, 72 percent are 501(c)(3), 7 percent private foundations, and 21 percent classified as other. I mostly work with 501(c)(3) organizations that are formed for charitable purposes, so this workbook focuses on those who are thinking about starting an entity for charitable purposes and to a greater extent to benefit the greater common good. This workbook will help you in your journey of moving forward regardless of whether you choose the 501 (c) designation or some other. There are other business designations and entities that might better suit your needs. Below is a brief overview of alternatives that might work for your idea that fall under the 501(c) classifications. Read over this list carefully, because defaulting to the 501(c)(3), which most people tend to do, might not be your best option.

Nearly 250 years after our country began, according to a blog by the U.S. Chamber of Commerce, there are 28 types of nonprofit designations! Who knew? The following list of nonprofit designations includes the most likely designations to meet your vision.

1. 501(c)(2) – Corporations organized to hold title to property, turning income from the property over to another tax-exempt organization.
2. 501(c)(3) – Charitable organizations: Include religious, scientific, educational, charitable, or literary organizations that are typically funded through donations, membership dues and government grants.
3. 501(c)(4) – Civic league, social welfare organization, or local employee association that tends to the general welfare of members and those going through hard times. This includes social advocacy groups, which advocate or lobby for a certain social or political cause. There are fewer restrictions on lobbying or other political activities.
4. 501(c)(5) – Within the agricultural, labor, or horticultural spectrum, this entity specializes in improving education and working conditions of these sectors
5. 501(c)(6) – Trade or professional association that improves conditions for their members. Usually consists of business leagues, chambers of commerce, real estate boards, or professional football leagues.

6. 501(c)(7) – Social or recreational club that organizes activities that are recreational or social in nature, such as hobby groups, country clubs, or sports leagues.
7. 501(c)(8) – Fraternal societies exist to provide for the payment of life, sickness, death, or accident benefits to members or their dependents.
8. 501(c)(9) – Employee beneficiary associations provide payment or insurance to their members or dependents upon sickness, accidents, or other traumatic life events. Membership must be within the same workplace or union.
9. 501(c)(10) – Domestic fraternal societies and associations use membership dues to support outside causes without payment to members.
10. 501(c)(11) – Teacher’s retirement fund associations establish and manage teachers’ retirement funds.
11. 501(c)(15) – Mutual insurance companies of association require members to pay a fee to provide them with insurance benefits, typically for property damage and funerals.
12. 501(c)(16) – Cooperative organizations to finance crop operations are usually created by farmers to pool together resources for agricultural operations.
13. 501(c)(17) – Supplemental Unemployment Benefits Trust is supported by the employer or employee and provides support to those on sick leave or who are permanently unemployed.
14. 501(c)(18) – Employee Funded Pension Trust applies to employee trusts funded exclusively on member contributions, and payments can only be used to benefit members.
15. 501(c)(19) – Veterans Organizations require that 75 percent of the members must be active or previous members of the Armed Forces. Provide benefits to U.S. Armed Forces members.
16. 501(d) – Religious and Apostolic Associations are religious-based organizations that share a common treasury. They pool members’ income and pay taxes on this amount.
17. 501(e) – Cooperative Hospital Service Organizations provide cooperative services for two or more hospitals.

18. 501(f) – Cooperative Service Organizations of Operating Educational Organizations exist to hold, invest, and reinvest in stocks and securities for the benefit of members of the educational organization.

A not-for-profit organization (NFPO) does *not* need to provide for the common good and can only benefit members or communities. Just like nonprofits, NFPOs are set up to be tax-exempt. One example is a 501(c)7 social club. Examples of a social club are dinner clubs, alumni groups, or even a club for hobbyists.

Clearly, you have options under the 501(c) umbrella to choose from. Most people default to the 501(c)(3) designation, but I have purposely placed the list above so you will not simply default to the most common designation. Again, take your time in reviewing the list slowly, thoughtfully. Think of your idea and how you will fund your activities.

**Exercise 2** - Which designation(s) do you think work best for your nonprofit and explain why.

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As if all those different types of nonprofit classifications listed here weren't enough, there are also for-profit options for a social entrepreneur who wants to better their community from a charitable perspective.

## **Certified B Corporation**

Commonly known as “B Corp,” this type of entity is a viable option that balances a profit and business mission. B Corps are legally obligated to examine the impact of their decisions on all stakeholders — employees, clients, suppliers, community, and environment. Owners of B Corps are social entrepreneurs that drive the global movement of business as a force for good. Examples of B Corp companies are Toms, Bombas, and Patagonia. B Corps are certified by B Lab as voluntarily meeting higher standards of transparency, accountability, and performance. B Lab is itself a nonprofit organization. It created, and awards, the B Corp certification to for-profit organizations through a rigorous process. According to B Lab, after inquiring about donations, a B Corp. can receive donations. (See [About B Corp Certification](#) to learn more about B Corps.).