



THE  
**NONPROFIT  
STARTER  
GUIDE.**

For Black Organizations  
Built to Every Stage.

10 SECTIONS

23 PAGES

REAL GUIDANCE

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# ABOUT THIS GUIDE

Every nonprofit founder deserves the truth: starting a nonprofit is hard. Most guides give you a checklist. This one gives you the unfiltered picture — the legal obligations, the governance structure, the financial infrastructure, the compliance requirements, and the operational discipline that determines whether organizations survive past year three or dissolve quietly.

This guide was written by Encoded Noire for Black founders, community leaders, and first-time executives who are building organizations in an environment that provides less startup capital, fewer institutional connections, and less margin for administrative error than their counterparts. It draws from IRS publications, Echoing Green research, BoardSource studies, National Council of Nonprofits data, and the direct experience of organizations that have navigated the exact challenges covered here.

What this guide is: A complete reference for founders, early-stage executives, and board members who want to understand how nonprofits actually work — not how they are supposed to work in theory. Every section covers real legal requirements, common failure modes, and the specific action steps required to move forward. Every statistic is sourced. Every recommendation is actionable.

What this guide is not: A guarantee. Nonprofit law varies by state. Louisiana operates under specific requirements that differ from federal baseline standards. Use this guide to build your knowledge base and your questions list, then engage a nonprofit attorney and a CPA before you file.

The organizations that succeed long-term are the ones that take governance seriously from day one, build financial systems before they need them, and treat community accountability as a structural requirement, not a marketing message. Use this guide as your foundation, not your ceiling.

## Expect the real story.

Most guides romanticize the process. This one tells you exactly what is hard, why it is hard, and what to do about it. Every section leads with the real obstacle before it offers the solution.

## Good Founder Notes.

Each section includes the adversity and solution framework that too many mentors skip — what will go wrong and how to stay ahead of it. These are drawn from real organization failures, not

## Who This Is For.

First-time founders, early-stage executive directors, board members stepping into governance roles, and community leaders who want to build something that lasts. If you are at any

## How to Use This Guide.

Read the A-page of each section for research context and full overview. Read the B-page for the step-by-step action sequence. Work through sections in order — each one builds

## A Note on Sources.

Statistics cited throughout this guide are drawn from IRS publications, BoardSource Governance Index reports, Echoing Green research, and the National Council of Nonprofits.

## About Encoded Noire.

Encoded Noire is a Black-owned creative and strategy agency in Acadiana, Louisiana. We build brands, marketing systems, and communication infrastructure for organizations doing work



## FOUNDER GUIDANCE NONPROFIT LAW & STRUCTURE

Starting a nonprofit is not simply a matter of belief — it is a legal document. The IRS evaluates your 501(c)(3) application primarily on whether it is clear that your program serves a public benefit and that no private shareholder will ever benefit from the organization's net earnings. The process results in a determination letter from the IRS that becomes the most important document your organization owns. Every grant application, every major donation, every government contract will require you to produce it.

The United States has over 1.5 million registered nonprofit organizations. They differ from for-profit entities because they are tax-exempt — the IRS will not tax the organization's net income — and typically have public accountability obligations that for-profit entities do not. But nonprofit status does not mean the organization cannot earn revenue — it means that revenue must be reinvested into the mission. There are distinct nonprofit classifications beyond 501(c)(3): civic leagues under 501(c)(4), social clubs under 501(c)(7), fraternal organizations under 501(c)(8), and veterans organizations under 501(c)(19) — each with different public disclosure requirements.

State compliance adds layers beyond the IRS. Most states require registration with the Secretary of State before a 501(c)(3) can solicit charitable donations from residents of that state. Louisiana requires registration with the Secretary of State's office and separate registration with the Louisiana Attorney General's office for any organization soliciting charitable donations. Failure to register before soliciting constitutes a violation of state charitable solicitation law regardless of your IRS status. Thirty-eight states have some form of charitable solicitation registration, many with annual renewal fees between \$25 and \$200 depending on revenue tier.

Board fiduciary duties are the legal obligations your directors carry from the moment they accept a board seat. The duty of care requires that board members act as a reasonably prudent person would in a similar situation — which means attending meetings, reading financial reports, and asking informed questions rather than rubber-stamping whatever the executive director proposes. The duty of loyalty requires that members never use their position to benefit themselves or related parties at the organization's expense. The duty of obedience requires adherence to the organization's mission and all applicable laws. These are not suggestions — they are the legal standard against which board conduct is measured if an organization ever faces regulatory review.

Most Black-led nonprofits are founded by community members, not attorneys. That is not a defect — it is the source of their credibility and relevance. But it does mean the founding team typically lacks familiarity with the legal infrastructure required to sustain organizational operation. Understanding the structure before you file — what form type you need, what governance documents are required, what ongoing compliance looks like — is the difference between building an organization and building a liability.

**KEY NUMBERS - COMMUNITY CONTEXT**

<b>1.5M</b> Registered nonprofits in the US	<b>30%</b> Fail in the first 10 years
<b>\$275</b> Average state filing fee	<b>2–5mo</b> Typical IRS 501c3 processing time

**THE HURDLE**

Most founders underestimate the compliance load. The IRS requires annual 990 filings, states require separate registrations, and boards carry fiduciary liability that most volunteers are not prepared for. Skipping any layer creates personal liability risk.

## STEP BY STEP — DO THIS IN ORDER

# LEGAL FORMATION: STEP BY STEP

### 1 Research Your State's Nonprofit Laws Before Anything

Before filing a single document, spend two hours with your state's Secretary of State website and the IRS charitable organizations page. Louisiana nonprofit law has specific requirements around board composition, registered agents, and charitable solicitation registration that differ from federal baseline. Download Form 1023 instructions in full — all 40 pages — and read them before you decide between 1023 and 1023-EZ.

### 2 Draft and Adopt Your Bylaws and Conflict-of-Interest Policy

Bylaws are required before you can incorporate in most states and are required for the 1023 application. At minimum they must include: board size, officer roles, meeting frequency, quorum definition, amendment procedure, and a dissolution clause directing assets to another 501(c)(3). The conflict-of-interest policy must define what constitutes a conflict, require annual written disclosure from all board members and officers, and establish a recusal procedure. Both documents must be formally adopted by a vote of the initial board.

### 3 Incorporate With Your State's Secretary of State

File Articles of Incorporation with the Louisiana Secretary of State online at [sos.la.gov](http://sos.la.gov). The filing fee is currently \$75. Your articles must include your organization's legal name, registered agent name and address, the purpose statement, initial board members, and dissolution clause. Processing is typically 3–5 business days online. You will receive a Certificate of Incorporation — store the original and keep digital copies in multiple locations.

### 4 Apply for Your EIN From the IRS (5 Minutes)

An Employer Identification Number is required before you can open a bank account, hire employees, or file the 1023. Apply free at [irs.gov/ein](http://irs.gov/ein) — the online application takes approximately 5 minutes and issues the EIN immediately upon completion. You need the EIN before you can file the 1023 or open a bank account. Do this the same day you receive your Certificate of Incorporation.

### 5 File IRS Form 1023 or 1023-EZ Within 27 Months

The 27-month window is critical for retroactive recognition. File Form 1023 (standard, \$600) or 1023-EZ (simplified, \$275, for organizations projecting under \$50K in gross receipts for the first 3 years). The full 1023 requires your complete activity narrative, financial projections, governance documents, and officer compensation disclosures. If approved within the 27-month window, tax-exempt status is retroactive to the date of incorporation.

#### HOW TO PUSH THROUGH

#### NOT YET INCORPORATED: Use Fiscal Sponsorship

A fiscal sponsor is an existing 501(c)(3) that accepts charitable contributions on your behalf while you complete the incorporation and application process. Contributions to the sponsor are tax-deductible immediately. The sponsor manages the funds and releases them to your program per a written agreement. Fees range from 5 to 15 percent of funds managed. This allows you to apply for grants and accept donations before receiving your IRS determination letter. Fiscal sponsors best known in the nonprofit community include Fractured Atlas (arts), SVRP (social justice), and Community Initiatives. Louisiana organizations should also consult LANO for local fiscal sponsorship resources.

#### → ACTION ITEMS — DO THESE FIRST

##### Research state requirements thoroughly

Download IRS Publication 557 and your state's nonprofit formation checklist. Read both end-to-end before drafting any documents. Identify three nonprofit attorneys in your area for a consultation before filing.

##### Draft governance documents before incorporating

Write bylaws and conflict-of-interest policy with a template from BoardSource or your state nonprofit association. Have an attorney review before adoption. File articles only after governance documents are complete and board-adopted.

##### Calendar every compliance deadline immediately

The moment incorporation is complete, set recurring calendar reminders for: IRS 990 deadline (May 15 for calendar-year orgs), state annual report, and charitable solicitation renewal. Missing any one of these has real consequences for legal status.



## FOUNDER GUIDANCE MISSION, VISION & VALUES

Your mission statement is not an inspirational tagline — it is a legal document. The IRS evaluates your 501(c)(3) application specifically to confirm the organizational purpose is narrow enough to qualify for exemption and public enough that no private interest benefits. Foundations and major donors evaluate mission statements to assess organizational focus, governance accountability, and program discipline. The mission that wins grants is the one that is specific enough to define what the organization will not do. Most first-time founders write mission statements that are too broad to differentiate the organization and too vague to create operational clarity.

Theory of change is the strategic backbone behind the mission. It answers the question: if we do X with population Y in context Z — what intermediate outcomes do we expect, and how do those outcomes connect to the long-term change we are working toward? Foundations increasingly require applicants to have a documented, testable theory of change. Organizations that cannot articulate one are systematically disadvantaged in grant competition regardless of program quality.

Values are not a decorative element — they are the behavioral standards your organization commits to publicly. Strong nonprofit values define how decisions are made when resources are constrained, how conflict is resolved between staff and board, and how the organization responds when community expectations collide with operational capacity. Written and publicly posted values become part of your accountability infrastructure with funders, community partners, and the media.

Mission drift is the single greatest failure mode after the logo redesign. Mission drift occurs when an organization gradually shifts its programs to match available funding rather than maintaining fidelity to its stated purpose. It typically starts with one grant outside the core mission, then a second, and eventually the organization is running programs that serve its operating budget rather than its community. The IRS can challenge tax-exempt status if program activities no longer match the stated exempt purpose. More commonly, mission drift destroys donor trust and staff morale before it creates a legal problem.

A strong mission statement is a strategic constraint that makes every other decision easier. When your mission is specific, you can reject the wrong grants without agonizing over the budget shortfall they would have filled. You can end programs that stopped working without creating an identity crisis. You can hire staff whose backgrounds align with the actual work rather than trying to build a team for every direction the organization could go. The investment in getting the mission right before you file saves years of correction later.

### KEY NUMBERS - COMMUNITY CONTEXT

**3x**

Higher grant success with written mission

**40%**

Of founders change mission in year 2

**72%**

Donors research mission before giving

**8–9yr**

Average time to reach organizational scale

### THE HURDLE

Vague missions attract vague donors and vague programs. The IRS requires a specific, narrow purpose statement in Form 990 language. Foundations fund specificity — not ambition. Every word in your mission is a governance document.

## STEP BY STEP — DO THIS IN ORDER

## MISSION: BUILD YOUR FOUNDATION

**1 Write the Mission Using the Three-Part Test**

A strong mission answers three questions in two sentences or fewer: Who do you serve? What do you do for them? What change does that create? Write 10 drafts before settling on one. Test each draft against this question: could another organization copy this mission and use it accurately? If yes, it is not specific enough. The IRS expects your mission to define a charitable class — not the public in general, but an identifiable population with a specific need.

**2 Commission a Theory of Change Before Hiring Staff**

A theory of change is a visual or written model that shows the causal chain from your activities to your intended outcomes. Most funders require it for applications above \$25,000. Build it through a facilitated session with board members and community representatives — not a solo executive director exercise. Document assumptions explicitly. The act of building the theory of change surfaces program design weaknesses before they become program delivery failures.

**3 Develop Your Theory of Change in Writing**

Translate the theory of change into a written narrative of 500–1,000 words. Describe the problem (with data), your intervention (with specificity), the expected short-term outputs, the medium-term outcomes, and the long-term impact. Include the assumptions your model depends on and how you will test them. This document becomes the foundation of every grant narrative, every annual report, and every board strategic planning session.

**4 Write Values That Govern Operational Decisions**

Values statements are most useful when they are specific enough to be decision-making tools. Instead of 'we value integrity,' write 'we disclose conflicts of interest immediately and recuse from related decisions.' Instead of 'we value community,' write 'we include community members with lived experience in every program design process.' Post them publicly and hold board and staff accountable to them explicitly during annual reviews.

**5 Calculate the Cost of Running the Organization**

Before committing to any program model, build a full operating budget that includes staff salary at market rates, benefits, supplies, contracted services, rent, technology, communications, legal and accounting fees, insurance, and administrative overhead. Most founding budgets undercount indirect costs by 30 to 50 percent. The real cost of running the organization — not the program budget, but the total cost — is the number that determines whether the mission is financially viable.

## HOW TO PUSH THROUGH

**Can't Afford a Strategic Planning Consultant? Do It Yourself.**

The W.K. Kellogg Foundation Theory of Change guide is free at [wkkf.org](http://wkkf.org) — download it and work through it with your board in two 3-hour sessions. The Annie E. Casey Foundation publishes a free strategic planning toolkit at [aecf.org](http://aecf.org) that walks your board step-by-step through goal-setting, financial projection, and outcome measurement without consulting fees. Candid (formerly GuideStar) publishes free training on mission statement development and theory of change documentation at [learning.candid.org](http://learning.candid.org). Create a free account and complete the Nonprofit Essentials series before hiring any outside consultants.

## → ACTION ITEMS — DO THESE FIRST

**Test your mission for specificity before adopting it**

Run your draft mission against five community members outside your organization. Ask them: Who does this serve? What does this organization actually do? Can they answer both questions clearly from the mission alone? If not, revise until the answers are yes.

**Document your theory of change in two pages maximum**

Write it in plain language. Avoid jargon. The test: could a donor who knows nothing about your sector read it and understand exactly what you do, why, and what success looks like? If the answer is no, rewrite it until it is.

**Align values with operational policies within 90 days**

For every value statement, write one policy that operationalizes it. If you value transparency, write a financial disclosure policy. If you value community voice, write a program design participation policy. Values without policy enforcement are decoration.



## FOUNDER GUIDANCE BUILDING YOUR BOARD

Your board of directors is not an honorary council of supporters — it is the governing body of a federally recognized legal entity with real authority over organizational finances, executive leadership, and strategic direction. Board members carry personal fiduciary liability for their decisions. That means if the organization engages in fraud, misuse of restricted funds, or willful neglect of legal obligations, board members can face personal legal consequences — not just organizational ones. Most community-recruited board members do not understand this when they accept the role, which is why orientation and governance education are not optional for serious organizations.

Meetings matter more than most founders realize. The IRS identifies tax-exempt organizations for compliance review in part through 990 data patterns — meeting attendance, executive compensation practices, related-party transactions, and financial oversight disclosures. Boards that do not meet regularly, do not maintain minutes, do not review financial statements, and do not observe conflict-of-interest policies are creating an audit trail that raises regulatory flags. Every board meeting requires a quorum, an agenda, accurate minutes, and financial review at minimum. These are not bureaucratic requirements — they are your documented proof of legitimate governance.

Officers are a subset of board members. Most nonprofit boards require at minimum a president or chair, a secretary, and a treasurer. The secretary ensures meeting minutes are kept, all legal documents are maintained, and the organization meets state filing deadlines. The treasurer reviews financial statements, ensures the audit or financial review is completed, and oversees the organization's relationship with its banking and accounting infrastructure. These officer roles carry specific legal obligations that go beyond showing up to meetings.

The distinction between board and staff is the most frequently violated rule in small nonprofit management. The board governs — it sets policy, approves budgets, hires and evaluates the executive director, and provides financial oversight. The executive director manages — they run operations, supervise staff, implement programs, and report to the board. When a founder serves as both executive director and board chair simultaneously, the organization loses its governance safeguard. Most serious funders flag this as a governance red flag during due diligence.

Recruitment strategy determines organizational capacity for the next decade. A well-constructed board includes legal expertise, financial expertise, sector-specific program knowledge, community credibility, and fundraising capacity. Building that composition intentionally rather than recruiting from personal networks is the single highest-leverage governance investment a founding executive director can make. Board members who open doors, challenge budgets, and protect the mission through leadership transitions are the difference between organizations that survive a founder's departure and ones that collapse.

**KEY NUMBERS - COMMUNITY CONTEXT**

<p><b>49%</b></p> <p>Of nonprofits have boards under 7 people</p>	<p><b>100%</b></p> <p>Of board members carry fiduciary liability</p>
<p><b>1yr</b></p> <p>Term minimum before board can be refreshed</p>	<p><b>7-15</b></p> <p>Recommended board size, most governance experts</p>

**THE HURDLE**

Most nonprofit boards are underpowered. Founders recruit friends and family who cannot challenge financial decisions or provide professional networks. A weak board cannot provide the legal oversight the organization requires.

## STEP BY STEP — DO THIS IN ORDER

**BOARD RECRUITMENT: BEFORE RECRUITING ANYONE****1 Map Your Board Composition Gaps Before Recruiting**

Draw a skills matrix: list every competency the board needs (legal, financial, fundraising, program expertise, community credibility, communications, technology) on one axis; list current board members on the other. Every empty cell is a recruitment target. Recruit to fill gaps, not to fill seats. A board of 9 with all the right skills governs better than a board of 15 without them.

**2 Commission Background Checks on All Board Nominees Before a**

This is not a personal slight — it is a fiduciary requirement. At minimum: a criminal background check, a conflict-of-interest disclosure review, and a reference check with one previous board or employer. Many foundation grant applications now require organizations to certify that board members have been screened. An undisclosed conflict on a board member can void a grant award after the check has cleared.

**3 Conduct Board Member Orientation Within 30 Days of Joining**

Orientation must cover: the organization's mission, theory of change, and current strategic plan; the legal duties of care, loyalty, and obedience; the current financial position including a review of the most recent 990; the board's role versus the executive director's role; and the organization's conflict-of-interest policy with a signed annual disclosure form. Orientation is not optional — uninformed board members create governance liability.

**4 Establish a Governance Committee Within the First Year**

The governance committee is responsible for board recruitment and orientation, annual board performance review, board member rotation and term limits, executive director evaluation, and succession planning. Without a governance committee, boards tend to self-perpetuate regardless of performance, avoid difficult conversations about underperforming members, and fail to plan for leadership transitions until they are emergencies.

**5 Conduct an Annual Board Self-Assessment**

Use BoardSource's free board self-assessment tool or develop one from the IRS governance checklist. Every board member completes it individually; results are aggregated and discussed in a full board session. The assessment covers: attendance and preparation, financial oversight, strategic engagement, fundraising participation, and mission accountability.

**HOW TO PUSH THROUGH****Board Fundraising — Every Member Has a Role**

Every board member should have a personal fundraising commitment defined in writing at orientation. This does not mean every board member must make a major gift — it means every member must either give at their capacity, identify and cultivate donor prospects, or open doors to institutional funders. A board where members do not participate in fundraising is a board where the executive director carries the entire development function alone. The 100 percent board giving rate — every board member giving something annually — is the single metric most foundations use to assess board engagement. Many foundations explicitly decline to fund organizations without 100 percent board giving. Document it in board minutes annually.

→ **ACTION ITEMS — DO THESE FIRST****Build a skills matrix before recruiting a single person**

Map the 8–10 competencies your board needs to govern effectively. Identify which are covered by current members. Recruit specifically to fill the most critical gaps first — typically legal expertise and financial oversight if you are in year one.

**Require 100 percent annual giving from day one**

Make it a written expectation in the board member agreement signed at orientation. It does not have to be a large amount — it has to be 100 percent participation. Many foundations will not fund organizations that cannot certify full board giving.

**Set full-year meeting calendar in January**

Distribute all board meeting dates in January and treat them as non-negotiable. Track attendance formally. Members below 75 percent should be contacted by the governance committee chair before missing a third meeting.



## FOUNDER GUIDANCE LEGAL FORMATION & 501(C)(3)

Filing for incorporation and 501(c)(3) status is a two-step process that most founders treat as one. Step one is state incorporation — the process of creating a legal entity recognized by your state’s Secretary of State. This is separate from and prior to federal tax exemption. Louisiana incorporation requires filing Articles of Incorporation with the Louisiana Secretary of State, a process that currently costs \$75 and results in a legal entity that can open bank accounts, enter contracts, and hire employees. Without incorporation, the organization has no legal existence — activities are conducted by individuals who carry full personal liability.

The IRS Form 1023 is the standard application for federal 501(c)(3) tax-exempt status. It requires a detailed narrative description of all past, present, and planned activities; a completed conflict-of-interest policy; compensation disclosure for officers and directors; financial data (actual if existing, projected if new); copies of your articles of incorporation and bylaws; and a \$600 filing fee. The Form 1023-EZ is a simplified version available to organizations that project under \$50,000 in gross receipts annually for the first three years and have total assets under \$250,000. The 1023-EZ has a \$275 filing fee and significantly faster processing, but it provides less legal protection than the full 1023.

The activity narrative is the most important part of the full 1023. This section requires you to describe each program service with specificity — what population you serve, what geographic area you operate in, what your programs actually do, how activities further the exempt purpose, how you measure outcomes, and how programs are funded. The IRS officer reviewing your application is determining whether your described activities qualify for exemption under 501(c)(3). Vague descriptions, activities that could benefit private interests, or programs that do not clearly serve a charitable class will result in additional information requests that delay processing by months.

Governance documents — specifically your bylaws and conflict-of-interest policy — are legal infrastructure, not paperwork. Bylaws define how the organization is governed: board size and composition, officer roles and responsibilities, meeting requirements, quorum definitions, amendment procedures, and dissolution clauses. The IRS requires a dissolution clause that directs remaining assets to another 501(c)(3) upon dissolution — without it, the application will be rejected. The conflict-of-interest policy defines what constitutes a conflict, requires annual disclosure by board members, and establishes a recusal procedure.

Retroactive recognition is a critical feature most founders do not know exists. If the IRS approves your 501(c)(3) application within 27 months of your incorporation date, tax-exempt status is recognized retroactive to the date of incorporation. Donations received before determination are retroactively tax-deductible, which means you can accept charitable contributions during the application process with confidence — as long as the application is filed within the 27-month window and ultimately approved.

**KEY NUMBERS - COMMUNITY CONTEXT**

<b>\$275</b> Average state incorporation fee	<b>\$600</b> IRS Form 1023 filing fee (standard)
<b>4wk</b> Fastest known IRS determination time	<b>\$50K</b> Revenue threshold for 1023-EZ eligibility

**THE HURDLE**  
The 1023 is a legal argument, not a form. Most rejected applications fail because the purpose statement is too vague or the conflict-of-interest policy is missing. A rejected 1023 costs you the filing fee and months of delay.

## STEP BY STEP — DO THIS IN ORDER

### FILING FOR 501(C)(3): HOW TO DECIDE

#### 1 Reserve Your Federal Tax ID Number (EIN) First

Apply at [irs.gov/ein](https://irs.gov/ein) — free, immediate, online. You need this before opening a bank account, hiring staff, or filing the 1023. The EIN is your organization's federal identifier and appears on every tax filing, grant application, and financial account from this day forward. Print the confirmation letter and keep it with your governance documents.

#### 2 Complete the Form 1023 Projections Three Years Out

The 1023 requires financial statements for the current year and projections for three years if the organization is new. Projections must be realistic, documented, and internally consistent — meaning your program narrative must describe activities that cost what the budget projects. IRS reviewers flag applications where projected revenue is unsubstantiated or where expense categories do not match the described program activities.

#### 3 Build Your Public Charity Support Test Before Filing

501(c)(3) public charities must demonstrate that they receive broad public support — not just from one or two large donors. The IRS public support test requires that more than 33.3 percent of total support comes from government grants, other public charities, and individual donors no single one of which contributes more than 2 percent of total support. If your initial funding comes primarily from one major donor or family, you risk private foundation classification.

#### 4 Set Up Fiscal Sponsorship in Parallel With Your Application

Fiscal sponsorship enables charitable giving and grant acceptance during the 1023 processing period. Establish the fiscal sponsorship agreement before filing so you have an active funding pathway during the 3–6 month wait. Make sure the agreement is in writing, specifies the fee structure, and defines the process for transferring funds once your determination letter arrives.

#### 5 Verify Your IRS Status — Always 60 Seconds

Once your determination letter arrives, verify your public charity status by searching IRS Tax Exempt Organization Search at [apps.irs.gov/app/eos](https://apps.irs.gov/app/eos). Confirm your organization name appears correctly, your 501(c)(3) status is current, and your public charity classification is listed. If any information is incorrect, contact the IRS immediately — the correction process can take months.

#### HOW TO PUSH THROUGH

##### 1023-EZ vs. Full 1023 — How to Decide

1023-EZ is appropriate if you project under \$50,000 in gross receipts annually for the first three years and have total assets under \$250,000. It processes in 2–4 weeks versus 3–6 months for the full 1023, and the filing fee is \$275 versus \$600. However: the 1023-EZ provides weaker legal protection because the IRS does not review the application in detail. Organizations planning to apply for significant government grants or foundation grants above \$50,000 are better served by the full 1023 because grant funders recognize the difference and it demonstrates a higher level of organizational diligence.

#### → ACTION ITEMS — DO THESE FIRST

##### File EIN same day you receive Certificate of Incorporation

The EIN application takes 5 minutes online. There is no reason to delay. Every day without an EIN is a day you cannot open a bank account, accept donations properly, or begin the 1023 application process.

##### Submit 1023 within 27 months of incorporation — no exceptions

Missing the 27-month window eliminates retroactive recognition. Donations received before determination may not be retroactively tax-deductible. Mark the 27-month deadline on your calendar the day you incorporate and treat it as a hard deadline.

##### Register with the state Attorney General before soliciting

Louisiana charitable solicitation law requires registration before you ask anyone in Louisiana for a donation — online, in person, or by mail. Register as soon as incorporation is complete, even if the IRS application is still pending.

## FOUNDER GUIDANCE YOUR STRATEGIC PLAN



A strategic plan is a governance document and an operational roadmap. It is the field manual that tells your board, staff, donors, and partners where the organization is going, how it plans to get there, and what success looks like. Most nonprofit strategic plans fail at the operational level — they articulate goals without specifying who is responsible, what resources are required, what timeline is realistic, and what data will confirm progress. A plan that cannot be used to manage daily operations is not a strategic plan — it is a vision document.

A genuine strategic plan is built from a current-state assessment first. Before writing a single goal, you need an accurate accounting of organizational strengths, program capacity, financial reserves, board composition gaps, community relationships, and competitive landscape. This is not a SWOT exercise you complete in a two-hour board retreat — it is a structured data-gathering process that includes stakeholder interviews, financial analysis, and program outcome review. Organizations that skip the assessment phase write plans that address the organization they wish they were rather than the one they are.

Strategic goals should be specific to the organization's theory of change. Each goal should connect to a measurable outcome that demonstrates progress toward the mission. For every goal: name the responsible party, the required resources (staff time, budget, partnerships), the timeline with quarterly milestones, and the data source you will use to track progress. Goals without owners are wishes. Outcomes without measurement timelines are aspirations. The discipline of writing executable goals is the discipline that separates organizations that perform from those that produce attractive documents.

Financial sustainability is a strategic objective, not a finance committee problem. Your strategic plan must include a multi-year financial model that projects revenue by source, program expenses by activity, administrative overhead as a percentage of total budget, and reserve fund targets. Without financial projections tied to program goals, you cannot identify the funding gap between where you are and where the plan says you need to be. That gap is the fundraising target — and it should be explicit in the plan, not left for the development director to figure out later.

Board adoption of the strategic plan creates governance accountability. Once the board votes to approve the plan, it becomes the standard against which executive director performance is evaluated, budget allocations are justified, and program decisions are defended. The board's job after approval is to monitor progress, ask hard questions when milestones are missed, and adjust the plan when circumstances change — not to micromanage implementation, but to hold the organization accountable to the commitments it made publicly.

### KEY NUMBERS - COMMUNITY CONTEXT

40%

Higher program completion with written plan

72%

Of successful nonprofits set 3yr goals

8–9yr

Average time to reach sustainable scale

3

Strategic priorities max — governance best practice

### THE HURDLE

Strategy is not aspirational — it is operational. A plan without financial projections, staffing assumptions, and program metrics is a vision document, not a strategic plan. Funders can tell the difference in 90 seconds.

## STEP BY STEP — DO THIS IN ORDER

**STRATEGIC PLANNING: BUILD YOUR PLAN****1 Conduct an Organizational Assessment Before Writing Goals**

Before writing a single goal, gather real data: 12 months of financial statements, program outcome data, board attendance records, staff turnover rate, donor retention rate, and community feedback. Interview 5–8 stakeholders outside the organization. The assessment phase should take 4–6 weeks. Organizations that skip this phase write plans that solve imagined problems.

**2 Define 3 Strategic Priorities — Not 12**

A plan with 12 priorities has no priorities. Identify the 3 organizational capacities or program outcomes that, if achieved in the next 3 years, will most significantly advance the mission and ensure organizational sustainability. Every other goal should be categorized as operational or deferred. The discipline of choosing 3 is the discipline of governance.

**3 Assign an Owner and Budget to Every Goal**

Every strategic goal must have a named owner, a timeline with quarterly milestones, a required budget allocation, and a data source for tracking progress. Goals without owners are not commitments — they are suggestions. Budget allocations must be reflected in the annual operating budget or the plan is unfunded fiction.

**4 Build a Quarterly Review Into the Board Calendar**

Strategic plan progress should be a standing agenda item at every quarterly board meeting. The executive director presents a one-page dashboard showing: progress toward each goal, milestones hit or missed, corrective actions taken, and updated projections. Board members who never review plan progress cannot hold the organization accountable to the plan's commitments.

**5 Calculate the Full Cost of the Plan Before Approval**

Total up every budget line required to execute all strategic goals across the full plan horizon. Compare this to projected revenue over the same period. The gap is the fundraising target. If the gap is not fundable within a realistic timeframe, reduce the scope of the plan before approving it. A plan that requires \$400,000 in new funding with no identified source is not a plan — it is a wish list.

**HOW TO PUSH THROUGH****Can't Afford a Strategic Planning Consultant? Do It Yourself.**

The W.K. Kellogg Foundation publishes a free theory of change guide at [wkkf.org](http://wkkf.org). The Annie E. Casey Foundation has a free strategic planning toolkit at [aecf.org](http://aecf.org) that walks through goal-setting, financial modeling, and outcome tracking without consulting fees. Both are written for practitioners. Candid (formerly GuideStar) offers free nonprofit capacity-building courses at [learning.candid.org](http://learning.candid.org). The Strategic Planning module covers assessment, goal-setting, and board adoption process in under 4 hours of self-paced instruction.

→ **ACTION ITEMS — DO THESE FIRST****Complete organizational assessment before writing a single goal**

Data before direction. Interview stakeholders, review 12 months of financials, pull your donor retention rate, and map board composition gaps before the first planning session. The assessment is 40 percent of the planning process — do not skip it.

**Limit strategic priorities to three**

More than three priorities is management, not strategy. If everything is strategic, nothing is. Choose the three goals that, if achieved in 36 months, most advance the mission. Commit resources to those. Treat everything else as operational baseline.

**Publish a one-page summary to your community**

Post the plan summary on your website and present it at a community event within 30 days of board adoption. Public commitment creates community accountability that internal governance alone cannot replicate.

## FOUNDER GUIDANCE NONPROFIT FINANCE



Nonprofit accounting is fundamentally different from for-profit accounting, and most first-time executive directors discover this difference at exactly the wrong moment — when a grant funder requests a financial audit or the IRS sends a compliance inquiry. The core structural difference is fund accounting: nonprofits must track revenue and expenses not just by category but by restriction — unrestricted funds can be spent on anything within the mission; temporarily restricted funds must be spent on a specific program or within a specified time period; permanently restricted funds (endowments) can never be spent on operations. Treating restricted grant funds as unrestricted operating revenue is financial mismanagement regardless of intent.

The five core financial statements you must produce and understand are: the Statement of Financial Position (your balance sheet), the Statement of Activities (income and expenses by restriction class), the Statement of Functional Expenses (costs allocated across program, management, and fundraising), the Statement of Cash Flows, and the Notes to Financial Statements which disclose accounting policies and significant transactions. Your board treasurer and finance committee must review all five on at least a quarterly basis. Any board that only reviews a one-page income summary is not meeting its fiduciary standard.

Internal controls are the procedural safeguards that protect organizational assets from theft, error, and misuse. At minimum: require two signatures on checks above a defined threshold (typically \$2,500); segregate the duties of recording transactions from authorizing them; require board approval for budget variances above 10 percent; conduct an annual independent review of financial statements; and maintain a written financial policies manual. Organizations with documented internal controls are significantly less likely to experience financial fraud — and significantly more likely to survive the discovery of it if it occurs.

Annual reporting requirements depend on your revenue. Organizations with gross receipts under \$50,000 file Form 990-N (the e-Postcard) annually. Organizations between \$50,000 and \$200,000 file Form 990-EZ. Organizations over \$200,000 file the full Form 990. The 990 is a public document — anyone can access it through GuideStar or ProPublica Nonprofit Explorer. Everything on it, including executive compensation, board composition, program descriptions, and financial performance, is visible to every grant funder who evaluates you. Treat the 990 as a marketing document and a legal filing simultaneously.

Reserve funds are organizational infrastructure, not excess cash. A general operating reserve of three to six months of operating expenses is the standard recommended by most nonprofit finance experts. A reserve fund below one month of expenses creates significant organizational vulnerability — any single delayed grant payment, unexpected legal expense, or program cost overrun can create a cash crisis that damages your ability to operate and your credibility with funders. Building and maintaining reserves is the difference between an organization that can absorb disruption and one that folds at the first sign of it.

**KEY NUMBERS - COMMUNITY CONTEXT**

<b>3yr</b>	<b>7x</b>
Median runway for new nonprofits	Higher audit risk without segregated accounts
<b>15–25%</b>	<b>\$50K</b>
Overhead ratio most foundations accept	990-EZ threshold for small organizations

**THE HURDLE**  
Most nonprofit founders conflate organizational revenue with personal income. The moment you mix accounts, you create personal liability, IRS scrutiny, and the exact appearance of private benefit that kills 501(c)(3) status.

## STEP BY STEP — DO THIS IN ORDER

# NONPROFIT FINANCE: YEAR ONE

### 1 Open a Dedicated Business Checking Account Within 30 Days of

Never use personal accounts for organizational finances — not even temporarily. Louisiana requires a nonprofit to have a dedicated organizational bank account before it can legally accept charitable donations. Most banks require your EIN, Articles of Incorporation, and a board resolution authorizing the account signatories. Signatories should include the executive director and treasurer at minimum, with the board chair as a backup signatory.

### 2 Build a Monthly Giving Program from Month One

Monthly recurring donors are the most stable revenue source a nonprofit has. A \$25 monthly donor gives \$300 per year and retains at rates above 80 percent compared to 23 percent for one-time donors. Build your donation page to default to monthly giving. Train board members to ask for monthly commitments specifically. Set a target of 50 monthly donors by the end of year one.

### 3 Set Up Financial Reporting to the Board from Month One

The board treasurer should receive a monthly financial dashboard that includes: actual revenue versus budget, actual expenses versus budget, cash position and runway in months, restricted fund balances by grant, and any variance above 10 percent with explanation. This is not an annual exercise — it is a monthly governance requirement. Boards that only review financials at year-end cannot catch problems before they become crises.

### 4 Set Up QuickBooks or Aplos Nonprofit Accounting Software

QuickBooks Nonprofit and Aplos are the two most common platforms for organizations under \$1 million in annual revenue. Both support fund accounting, grant tracking, and 990 data export. Cost ranges from \$20 to \$80 per month. This is not optional overhead — it is the infrastructure that makes audit compliance, grant reporting, and board financial review possible.

### 5 Verify Your IRS Status Annually — Always 60 Seconds

Check [apps.irs.gov/app/eos](https://apps.irs.gov/app/eos) once per year to confirm your exempt status is current. Auto-revocation for failure to file the 990 happens automatically after 3 consecutive missed filings — IRS does not send a warning. If your status is revoked, you must apply for reinstatement through Form 1023 again with a \$600 filing fee.

#### HOW TO PUSH THROUGH

#### Year One: Don't Wait on These Two Things

Open your bank account and buy accounting software the same week you receive your EIN. Every week of delay is a week of transactions that must be reconstructed from bank statements later — a process that costs far more in accountant time than the software subscription. Nonprofit accounting software subscriptions are tax-deductible operational expenses. There is no reason to delay either. The IRS Form 990-N (e-Postcard) is the minimum annual filing for organizations with gross receipts under \$50,000. File it within 4.5 months of your fiscal year end — May 15 for calendar-year organizations. The filing is free, takes under 5 minutes online, and failure to file for 3 consecutive years triggers automatic revocation with no warning from the IRS.

#### → ACTION ITEMS — DO THESE FIRST

##### Open the organizational bank account the week you receive your EIN

This is not optional. Personal accounts are never acceptable for nonprofit finances regardless of the dollar amount. Get the EIN, call the bank, make the appointment, and open the account within 7 days. Bring your EIN letter, Articles of Incorporation, and a board resolution authorizing signatories.

##### Subscribe to nonprofit accounting software before the first transaction

QuickBooks Nonprofit starts at \$40/month. Aplos starts at \$59/month. Either one is cheaper than the accountant time required to reconstruct records from spreadsheets. Set it up before the first donation clears — not after you realize you need it.

##### File the 990-N every year regardless of how small you are

The 990-N for organizations under \$50K takes 5 minutes at [irs.gov](https://irs.gov). Set a recurring calendar reminder for April 15 to file before the May 15 deadline. Missing three consecutive years means automatic revocation with no IRS notification.

## FOUNDER GUIDANCE FUNDRAISING FUNDAMENTALS



Your first year of fundraising is not about raising money — it is about building the infrastructure that makes fundraising possible. A donor database, a fundraising calendar, a gift acknowledgment process, a monthly giving program, and a community event track — these are the systems that compound over years. Organizations that launch fundraising without systems raise money once and then cannot replicate it because they have no record of who gave, when they gave, what they gave in response to, or how to thank them in a way that leads to a second gift.

The philanthropy sector in the United States distributes approximately \$484 billion in charitable giving annually. Individual donors represent the largest single source — approximately \$374 billion, or 67 percent of all charitable giving. Foundations account for roughly \$103 billion. Corporations account for approximately \$36 billion. For most Black-led nonprofits, the most realistic and most frequently ignored first revenue source is individual donors — not grants, not events, not corporate sponsorships. Grants and events have high administrative costs and high failure rates in year one. Individual donors, managed well, produce multi-year revenue with compounding retention.

Donor retention is the metric that most separates sustainable nonprofits from perpetually struggling ones. The national average first-year donor retention rate is approximately 23 percent — meaning that for every 100 first-time donors, only 23 give a second gift. Multi-year donors give at retention rates above 60 percent and at significantly higher average gift levels. The math means that every investment in donor retention — personal thank-you calls, timely acknowledgment letters, meaningful program updates, personal asks from board members — is worth more than equivalent investment in donor acquisition.

Gift acknowledgment is both a legal requirement and a fundraising tool. For any donation above \$250, the IRS requires the organization to provide a written acknowledgment that includes the date of the gift, the amount, and a statement confirming no goods or services were provided in exchange. This acknowledgment must be provided by January 31 of the year following the gift. Beyond legal compliance, the acknowledgment is the first message a donor receives after giving — it is the most important donor communication your organization sends.

Online giving infrastructure is table stakes. Every nonprofit needs a donation page that accepts credit cards, offers a monthly giving option, sends an immediate acknowledgment email, and works on mobile devices. Stripe and PayPal both integrate with standard nonprofit website platforms; Givebutter, Bloomerang, and Funraise offer built-in CRM functionality alongside payment processing. The cost of implementing basic online giving infrastructure is measured in hours, not dollars, and the revenue upside from removing barriers to giving is immediate.

**KEY NUMBERS - COMMUNITY CONTEXT**

<b>\$484B</b>	<b>67%</b>
Total charitable giving in the US (2023)	Of individual donors give to orgs they trust
<b>1yr</b>	<b>30–40%</b>
Minimum relationship before major ask	Retention rate for first-time donors, national avg

**THE HURDLE**  
Most nonprofits launch with a GoFundMe mindset. Real fundraising infrastructure — donor database, gift acknowledgment policy, cultivation calendar — takes 12 to 18 months to build and must exist before the first gala is planned.

## STEP BY STEP — DO THIS IN ORDER

## FUNDRAISING: BEFORE YOUR FIRST PUBLIC ASK

**1 Build Your Donor Management System Before Soliciting Anyone**

A donor database is not a luxury — it is the infrastructure that makes every future ask possible. Bloomerang, Little Green Light, and Salesforce Nonprofit are all established platforms with nonprofit pricing. At minimum your system must record: full contact information, gift history with dates and amounts, how the donor was acquired, communication preferences, and any personal notes from cultivation conversations.

**2 Create a Donation Infrastructure on Your Website**

Your website needs a donation page that: accepts credit and debit cards, offers a monthly giving option as the default, sends an immediate automated acknowledgment email, and works on mobile devices. Stripe, PayPal Giving Fund, and Givebutter all integrate with standard website builders at low or no cost. The monthly giving option should be pre-selected by default — most donors will not change it.

**3 Establish a Board Fundraising Commitment in Writing**

Every board member must sign a written fundraising commitment that specifies their personal gift amount and their expectations for prospect cultivation and introductions. Organizations with 100 percent board giving raise 3.5 times more from foundations than organizations without it. The commitment creates accountability and gives the executive director a documented standard to reference in performance conversations.

**4 Define Your Donor Acknowledgment Process Before Receiving the**

Write your acknowledgment letter template. Establish who sends it, when it goes out (within 48 hours of the gift), and what it includes (date, amount, IRS required language, no-goods-or-services statement, program impact note). Test the automated system before launch. The first gift acknowledgment a donor receives determines whether they give again.

**5 Research and Align Funders Before Applying**

Before writing a single grant application, spend 2–3 hours researching the funder on Candid.org: What geographic areas do they fund? What population? What program models? What grant sizes are typical? Have they funded similar organizations recently? Grant research before application is the difference between a 5 percent hit rate and a 30 percent hit rate on your applications.

## HOW TO PUSH THROUGH

**Board Members Are Your Best Fundraisers**

The single highest-leverage fundraising investment most nonprofits can make is training board members to make personal asks. A board member calling a personal contact to say 'I serve on this board because I believe in this work — will you join me in supporting it?' closes gifts at 3–5 times the rate of any direct mail or email campaign. The ask must be personal, specific (a dollar amount or monthly commitment), and followed by a direct link to give. The Fundraising Effectiveness Project's annual survey consistently shows that organizations with active board fundraising participation outperform comparable organizations without it by an average of 40 percent in total revenue raised annually.

## → ACTION ITEMS — DO THESE FIRST

**Launch your donor database before your first public fundraising ask**

The database is not something you build later. It is infrastructure that must exist before the first donor record needs to be created. Set it up, enter all board members and founding supporters, and test the donation tracking workflow before you go public.

**Set 100 percent board giving as a non-negotiable from day one**

Write it into the board member agreement. Track it. Report on it at every board meeting. If a board member cannot give at any level, that is a governance conversation — the standard exists not because of the dollar amount but because of what it signals to major funders who will verify it.

**Build a monthly giving option into your donation page as the default**

Pre-select the monthly giving option on your donation form. Most donors will not change it. Monthly donors are the most stable and highest-lifetime-value donors in your database — building the infrastructure to acquire them from day one compounds into significant revenue by year three.



## FOUNDER GUIDANCE GRANT WRITING & RESEARCH

Grant funding is a relationship strategy disguised as a paperwork exercise. The organizations that win grants consistently are not the ones with the best writing — they are the ones with the deepest funder relationships, the clearest theory of change, and the strongest track record of delivering measurable outcomes on time and within budget. Most foundations fund organizations they already know. Most first grants go to organizations referred by trusted colleagues. Understanding that grant-seeking is fundamentally a relationship-building activity reframes the entire strategy — the investment should be in relationships first and applications second.

The capacity requirement problem is the first trap. Grant eligibility often requires organizations to already have the capacity the grant is meant to build. Foundations frequently require audited financials before funding organizations with budgets under audit threshold. They require fiscal sponsors for organizations less than two years old. They require matching funds before releasing grant dollars. They require strategic plans before funding organizations that need grants to hire the staff who would write the strategic plan. Understanding these requirements before beginning the grant search process saves months of misdirected effort.

A grant budget is a legal document. Whatever expense categories and cost amounts you include in the application budget become the framework against which the funder will evaluate your stewardship of their funds. Over-estimating costs to create slack creates audit risk when actual expenditures are significantly lower. Under-estimating costs forces program compromise when actual expenses exceed budget. Grant budgets should include all real costs: direct program costs, staff time allocated to the grant program at accurate salary rates, indirect costs at whatever rate your organization's indirect cost policy establishes, and any required matching contribution.

Program officers are allies, not evaluators. Most foundation program officers are sector advocates who want to fund strong organizations — they are not adversaries looking for reasons to reject applications. A phone call or site visit before submitting an application gives you insight into what the foundation values most, whether your program model is the right fit, what the most common weaknesses are in applications they receive, and whether the organization is currently prioritizing your geographic or population focus.

Reporting discipline is what converts a single grant into a multi-year funding relationship. Submit interim and final reports on time. Report on the metrics you committed to in the application — and if any metric was missed, explain why clearly and describe the program adjustment you made in response. Funders do not expect perfection — they expect accountability. Every report is an opportunity to deepen the funder relationship and position the organization for a larger grant in the next cycle.

**KEY NUMBERS - COMMUNITY CONTEXT**

**\$100B+** Foundation grant dollars distributed annually

**5–20%** Average success rate on cold grant applications

**3–5yr** Typical funder relationship before major grant

**\$50K** Median first grant to new Black-led nonprofits

**THE HURDLE**  
Grants are not revenue — they are restricted contracts with reporting obligations. Most first-time grantees spend more delivering a grant than the grant was worth because they did not account for compliance costs before accepting it.

## STEP BY STEP — DO THIS IN ORDER

## GRANT WRITING: BEFORE YOU WRITE ANYTHING

**1 Build a Grant Research Tracker Before Applying Anywhere**

Create a spreadsheet that tracks: funder name, program areas funded, geographic restrictions, grant size range, deadline date, relationship status, required attachments, and notes from any program officer conversation. This document becomes your annual grant calendar and your pipeline management tool. Organizations that apply without a tracker routinely miss deadlines, submit duplicate applications, and fail to follow up on pending submissions.

**2 Contact Program Officers Before Submitting Any Application**

Call or email the program officer before submitting any application above \$10,000. Introduce yourself, describe your program in two sentences, and ask three questions: Does our model fit your current funding priorities? What are the most common weaknesses in applications you receive? Is there any additional information I should know before preparing our application? This 15-minute conversation will either save you writing time or significantly improve the application.

**3 Build Grant Reporting Infrastructure Before You Receive a Grant**

Every grant you accept creates a reporting obligation: interim reports, final reports, financial reports, and potentially audit requirements. Before applying for your first grant above \$25,000, create a grant compliance binder structure: one folder per grant with the original application, the award letter, the budget, reporting deadlines, and progress notes. Reporting failures destroy funder relationships that took years to build.

**4 Set Up Financial Reporting by Grant Code**

Your accounting software must track every expense against the grant code that funded it. This is fund accounting at the program level — mandatory for grant compliance. When your CPA runs a grant financial report, you need to show every dollar spent against the approved budget line by line. Organizations that cannot produce this report accurately are at risk of grant repayment demands, audit findings, and disqualification from future funding.

**5 Research and Align Funders Before Applying**

Candid.org allows free searches of foundation 990-PF data — use it to identify funders by geography, program area, grant size, and recent grantees. For every foundation on your prospect list, read at least 3 years of 990-PF data to understand their giving patterns, their average grant size, and whether they have funded organizations like yours before.

## HOW TO PUSH THROUGH

**Build Funder Relationships Before You Need Money**

The organizations that consistently receive grants are the ones that have been in relationship with the program officer before any application was submitted. A site visit, a phone call, an introduction at a sector conference — these relationship investments pay off in application feedback, advance notice of RFPs, and the kind of program officer advocacy that moves an application from the borderline pile to the approved list. Start building relationships now, 12 months before you plan to apply. Echoing Green, the Robert Wood Johnson Foundation, and the W.K. Kellogg Foundation all publish their program officer contact information publicly. These are not inaccessible gatekeepers — they are sector colleagues who want to fund strong organizations and will respond to a well-prepared inquiry.

## → ACTION ITEMS — DO THESE FIRST

**Create a grant tracking spreadsheet before researching a single funder**

The spreadsheet is the system. Build it first. Columns: funder, deadline, program officer contact, relationship status, grant amount requested, status, last action date. Every funder you research gets entered. Review it every Monday morning.

**Contact the program officer before writing any application over \$10K**

This 15-minute call has the highest ROI of any grant-writing activity. It either tells you not to apply (saving 10–40 hours of writing time) or tells you exactly what to emphasize in the application (improving hit rate by 20–40 percent).

**Build grant code tracking in your accounting software from the start**

Set up a project code in your accounting software for every grant you receive before spending the first dollar. Retroactive grant tracking is expensive, error-prone, and a significant audit risk. Infrastructure before income.

## FOUNDER GUIDANCE MARKETING & OUTREACH



Your brand is your first argument to every donor, funder, and community partner who encounters you before they encounter your programs. Brand is not a logo — it is the cumulative impression created by every touchpoint: your website, your social media, your email newsletter, your event materials, your 990 narrative, your executive director’s LinkedIn profile, and the way your staff talks about the organization at community events. Nonprofits with inconsistent, amateurish, or absent brand presence lose credibility before they have the opportunity to demonstrate program quality.

Your website is the highest-impact marketing investment you will make. Sixty percent of donors report visiting an organization’s website before making a giving decision. The average attention span on a nonprofit homepage is eight seconds before a visitor decides whether to stay or leave. In those eight seconds, the visitor is making a judgment about organizational credibility, mission clarity, and trustworthiness based entirely on visual design and messaging. A website that looks like it was built with a free template in 2017 communicates exactly that — and cost you a donor relationship without you ever knowing it happened.

Social media for nonprofits is a community accountability tool, not a vanity metric. Consistent posting on two platforms — not eight — builds audience, demonstrates program activity, and creates the social proof that major donors look for before making significant gifts. Content mix for effective nonprofit social media: approximately 40 percent program impact stories with real outcomes and faces, 30 percent educational content relevant to your mission, 20 percent organizational updates, and 10 percent fundraising and calls to action.

Email is the highest-converting communication channel for nonprofit fundraising. The average email fundraising return is \$40 per \$1 invested — far above social media, direct mail, or events. But email only performs when the list is built through genuine relationship-building: event attendees, program participants, volunteer contacts, board networks, and community partnerships. Email content should be written to a single person, not a crowd — conversational, specific, and connected to a real program outcome or community need.

Annual reports are your most important credibility document with major funders. A well-produced annual report demonstrates organizational maturity, program accountability, financial transparency, and design discipline in a single artifact. It is the document that circulates in foundation offices during grant review season. It is what board candidates read before agreeing to serve. It is what major donors send to friends when referring them to give. Investing in a professionally designed annual report is not a luxury — it is the most efficient credibility investment an organization can make relative to the cost.

**KEY NUMBERS - COMMUNITY CONTEXT**

<p><b>60%</b></p> <p>Of donors research org online before giving</p>	<p><b>8sec</b></p> <p>Average attention span for nonprofit homepage</p>
<p><b>87%</b></p> <p>Of orgs with monthly content see donor growth</p>	<p><b>\$40</b></p> <p>Email fundraising return per \$1 invested</p>

**THE HURDLE**  
Most nonprofits treat marketing as decorative. Your website, social presence, and email list are fundraising infrastructure. A donor who cannot verify your credibility online in 8 seconds does not give. Full stop.

## STEP BY STEP — DO THIS IN ORDER

## MARKETING: BEFORE DESIGNING ANYTHING

**1 Define Your Primary Audience Before Your Visual Identity**

Your brand does not exist in the abstract — it exists in the perceptions of three specific audiences: your program participants, your donors and funders, and your community and media partners. Write a one-paragraph description of each audience: who they are, what they need from your organization, what credibility signals matter to them, and where they encounter your communications.

**2 Commission a Non-Template Visual Identity**

Your visual identity is your first impression with every major donor, program officer, and media contact. It is not a logo — it is a complete system: primary logo, alternate logo, color palette, typography, and usage guidelines. A professional visual identity investment of \$2,500–\$5,000 produces materials that signal organizational credibility for 5–10 years. Organizations that use free templates as their primary design tool are communicating their budget level before they open their mouths.

**3 Build Your Social Media Content Calendar — One Month at a Time**

Choose two social media platforms and commit to consistent content on both. Content mix: 40 percent program impact with real outcomes and named community members (with permission), 30 percent educational content relevant to your mission, 20 percent organizational updates and behind-the-scenes, 10 percent fundraising calls to action. Plan and create one full month of content in advance. Consistency matters more than frequency.

**4 Commission a Professional Website Before Fundraising Publicly**

Sixty percent of donors verify an organization's website before giving. The average website attention span is 8 seconds. Your homepage must communicate your mission, your credibility, your impact, and a clear path to give in those 8 seconds. A professionally designed website is not a branding luxury for small nonprofits — it is a fundraising tool that pays for itself with the first major gift it converts. Encoded Noire builds nonprofit websites starting at \$3,500.

**5 Build Your Email List From Day One**

Every person who has ever attended an event, participated in a program, volunteered, or expressed support is a potential email subscriber. Begin collecting email addresses immediately with explicit permission. Use Mailchimp (free for under 500 contacts), Kit (formerly ConvertKit), or Constant Contact. Your email list is owned infrastructure — unlike social media followers, no algorithm can take it from you.

## HOW TO PUSH THROUGH

**Annual Report Timing — Produce It Before You Think You're Ready**

Most first-year executive directors wait until they feel like they have 'enough' to report. There is never enough. Produce the annual report 60 days after the close of your first fiscal year regardless of what the numbers look like. The act of producing it — documenting what you built, who you served, and what you learned — is itself a signal of organizational seriousness that most first-year organizations never send. Annual reports distributed to donors in January or February have the highest correlation with major gift upgrades in the following calendar year. The report is the ask without an ask — it demonstrates stewardship of the donor's last gift and creates the context for the next conversation.

## → ACTION ITEMS — DO THESE FIRST

**Choose two social media platforms and commit to both fully**

Two platforms executed consistently outperform eight platforms executed sporadically. Instagram and Facebook for community-facing organizations. LinkedIn and Instagram for professional credibility. Choose based on where your donor audience actually is, not where you prefer to post.

**Build your email list before your social media following**

You own your email list. You do not own your social following. Platform algorithm changes can cut your organic reach by 80 percent overnight. Email is direct, personal, and owned infrastructure. Start collecting it from the first community interaction.

**Commission a professional website before your first public fundraising ask**

Your website is your most important fundraising tool. It must work on mobile, load in under 3 seconds, have a donation button visible above the fold, and communicate your mission in one sentence at the top. Test all of these before your first public ask goes out.

## FOUNDER GUIDANCE OPERATIONS & COMPLIANCE



Why nonprofits fail — and how not to — is the most important conversation most nonprofit guides refuse to have in full. Institutional failure is rarely dramatic. Organizations do not usually collapse because of a single catastrophic event — they collapse because of accumulated small failures: a board that stopped meeting regularly, a reserve fund that was spent to cover an operating deficit without a replenishment plan, a key staff member who left and was not replaced because hiring was deferred to preserve program budget, a grant report that was filed late and ended a funder relationship. Understanding failure modes in advance is the most practical investment a new executive director can make.

State compliance requirements operate on independent schedules from federal requirements. Louisiana nonprofits must file an annual report with the Louisiana Secretary of State to maintain active corporation status — failure to file results in administrative dissolution, which voids the organization's legal existence. Separately, organizations soliciting charitable donations must renew their registration with the Louisiana Attorney General's office annually. The IRS 990 has a separate annual deadline. Three independent compliance deadlines, three opportunities to miss one and create an organizational crisis.

The executive director transition is the single most organizationally vulnerable moment in nonprofit life. Most organizations are heavily dependent on the founding executive director's personal relationships, institutional knowledge, and community credibility. When that person leaves — voluntarily, involuntarily, or due to illness — organizations without succession infrastructure routinely lose 30 to 50 percent of operating budget within 18 months. Succession planning is not morbid — it is the board's primary responsibility to ensure organizational continuity regardless of who holds the executive position.

Employment law compliance is a non-negotiable operational requirement the moment the organization hires its first employee. Federal and state wage and hour laws, anti-discrimination requirements, required workplace postings, workers' compensation insurance, and unemployment insurance registration all apply immediately. Many nonprofits attempt to classify employees as independent contractors to reduce administrative burden — this is one of the highest-risk compliance decisions an organization can make. The IRS has a 20-factor test for worker classification, and misclassification penalties can exceed the total compensation paid to the misclassified worker.

Operations documentation is organizational infrastructure, not administrative overhead. Written policies for every recurring operational decision — hiring, financial management, conflict of interest, document retention, whistleblower protection, board governance — reduce the cost of every future decision, protect the organization legally, and enable continuity through staff transitions. The organizations that operate with undocumented processes are entirely dependent on individual staff members' knowledge and judgment. Every policy written is institutional memory that survives turnover.

### KEY NUMBERS - COMMUNITY CONTEXT

**5yr**

IRS records retention requirement

**7x**

Annual reports nonprofits file on average

**100%**

Of 990s are public record — searchable online

**\$50K**

Threshold triggering full 990 requirement

### THE HURDLE

Compliance is not a once-a-year activity. State registrations expire annually. 990 deadlines are fixed. Insurance policies lapse. Employment law changes. The organizations that survive decade-plus are the ones that treat compliance as operational infrastructure, not administrative burden.

## STEP BY STEP — DO THIS IN ORDER

## OPERATIONS &amp; COMPLIANCE: YEAR ONE SYSTEMS

**1 Fix the Founder Systems — Document Everything**

Every process that currently lives only in the founder's head is an organizational vulnerability. Identify the 10 most critical operational processes and document each one in writing: who is responsible, what the trigger is, what the steps are, what the output should look like, and where the completed output is filed. Start with: financial authorization, donor acknowledgment, grant reporting, board meeting prep, program enrollment, and compliance deadline management.

**2 Fix the Board Dependency — Build a Succession File**

Succession planning is not morbid — it is the board's primary governance responsibility. Maintain a succession file that includes: complete description of executive director responsibilities, salary range and benefit structure, key funder relationships with contact information, all institutional passwords and system access credentials in a secure password manager shared with the board chair, and a 90-day transition checklist.

**3 Fix the Underfunded Plan — Write a Contingency Budget**

Every organizational budget should have a contingency scenario: what expenses get cut first if revenue falls 20 percent below projection? What programs survive? What staff positions are protected? What is the minimum operating budget that maintains the core mission? This scenario should be reviewed by the board at least annually and updated whenever a major grant relationship ends or a significant revenue source is at risk.

**4 Fix the Succession Gap — Plan a Leadership Transition Before You**

The executive director transition is the highest-risk organizational event most nonprofits face. Document all institutional relationships, funder contacts, program partnerships, and community credibility assets so they belong to the organization — not the individual. The board should be able to identify at least two internal candidates who could serve in an interim capacity if needed. If no such candidates exist, developing one is a strategic priority.

**5 Fix the Compliance Calendar — Build a System for Permanent Filing**

Create an annual compliance calendar that includes every deadline: state annual report, IRS 990, charitable solicitation renewal, grant report deadlines, board meeting schedule, executive director review date, and insurance renewal dates. Assign an owner to each deadline. Review the full calendar at the January board meeting every year.

## HOW TO PUSH THROUGH

**Build a Permanent File System Before Your First Audit**

Document retention requirements are not suggestions — they are IRS regulations. Seven years for financial records and tax filings. Permanent retention for articles of incorporation, bylaws, board minutes, and the IRS determination letter. If your organization faces a regulatory inquiry and cannot produce these documents, the absence itself is evidence of governance failure. Google Drive with a shared organizational account costs \$12/month and provides unlimited document storage with version control, access management, and audit trail capability. Set it up as organizational infrastructure — not a personal account — so documents survive staff transitions.

## → ACTION ITEMS — DO THESE FIRST

**Document the 10 most critical operational processes in writing this month**

Start with: financial authorization procedure, donor acknowledgment process, grant reporting calendar, board meeting preparation checklist, and compliance deadline calendar. If a process is not written down, it does not exist as organizational infrastructure — it exists as individual knowledge that leaves when the person does.

**Build a succession file and review it annually**

At minimum it contains: executive director job description, salary and benefits data, key relationship contacts, all system access credentials in a secure shared password manager, and a 90-day onboarding checklist for a successor. Board chair should have access to all of it at all times.

**Create a compliance calendar with named owners for every deadline**

Every compliance deadline needs a name next to it — not 'staff' or 'ED' but a specific person. Review it at the January board meeting every year. Missing any one of the major deadlines (990, state annual report, charitable solicitation renewal) creates legal exposure and requires costly corrective action.

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# Your Nonprofit Formation Checklist

Check off each milestone as you complete it. Use the Notes field to track dates, contacts, or next steps.

## 01 NONPROFIT LAW & STRUCTURE

- Selected legal structure (501c3, 501c4, or fiscal sponsorship)
- Reviewed state charitable solicitation laws

NOTES

## 03 BOARD OF DIRECTORS

- Recruited minimum 3 independent board members
- Conducted board orientation and adopted bylaws

NOTES

## 05 STRATEGIC PLAN

- Completed theory of change or logic model
- Set measurable 1-year and 3-year organizational goals

NOTES

## 07 FUNDRAISING FUNDAMENTALS

- Built donor database (CRM or spreadsheet)
- Planned and launched first fundraising campaign

NOTES

## 09 MARKETING & COMMUNITY OUTREACH

- Activated two primary social media platforms
- Started building email list and newsletter

NOTES

## 02 MISSION, VISION & VALUES

- Drafted and finalized the mission statement
- Defined organizational core values with founding team

NOTES

## 04 INCORPORATION & TAX EXEMPTION

- Filed Articles of Incorporation with Secretary of State
- Obtained EIN from IRS (Form SS-4)
- Submitted IRS Form 1023 or 1023-EZ for 501c3 status

NOTES

## 06 ACCOUNTING & FINANCE

- Opened dedicated organizational bank account
- Set up bookkeeping system and chart of accounts

NOTES

## 08 GRANT WRITING & RESEARCH

- Built 12-month grant research and deadline calendar
- Submitted first letter of inquiry or grant application

NOTES

## 10 OPERATIONS & LONG-TERM GROWTH

- Documented core HR and financial policies
- Scheduled first annual audit or financial review

NOTES