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STARTING A NON-PROFIT IN DC

❖ Steps in Establishing a Non-Profit Business ❖ Grants & Other Resources ❖

Washington, DC is home to the largest number of membership associations in the United States with more than 3,000 associations in 2005.¹ Non-profits alone are the second largest employer within the District, with a total of 44,078 employees.² Such organizations enjoy their proximity to the Federal Government and the prestige of a DC address. The most important components needed to start a non-profit include a sound mission statement, a concept paper, defined organization type (business structure), established board of directors, bylaws, strategic plan and identified sources of funding.

STEPS IN ESTABLISHING A NON-PROFIT BUSINESS

The following steps are necessary to establish a non-profit business:

Determine the Mission

The mission statement is a brief description of an organization's purpose. It should be clear, focused and concise. It is best to limit the statement to one or two sentences. The statement should also include

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TIP *The strategic plan is much like a business plan. For more detailed information please refer to **Business Planning** in Chapter One.*

the organization's name, the services it provides and the population it serves. The mission statement should be re-evaluated every five to ten years to ensure your organization's mission and current operations are in alignment. Unless the organization's purpose has changed significantly, the mission statement should not be altered.

It is recommended to research the best-practicing non-profits with a similar mission, in order to provide different and better services compared to other non-profits. Remember to make your organization unique and focus on your values.

Develop a Strategic Vision and Plan

Much like a business plan, the strategic plan details an organization's direction, focus and vision for the next three to five years. In scope creep, or deviating from organizational mission, is often an issue that arises for non-profits. In the quest to solicit funding, non-profits often take on programs that are outside of their mission in order to gain resources. Having a sound strategic plan can help alleviate this issue. Strategic plans should include the following:

- ❖ Purpose and mission statement
- ❖ Survey of the issue(s) and problem(s) your organization will address
- ❖ Description of the organization
- ❖ General goals and activities
- ❖ Future plans and vision

Determine the Organization Type

While the majority of non-profits are classified under 501(c)(3) of the IRS Code as charitable organizations, a proposed organization should review the types below to determine the right choice for its particular group. Once an organization type has been defined, articles of incorporation should be drafted. Articles of incorporation explain the legal description and give board members power. Please have these articles reviewed by a lawyer.

The classifications for non-profits are:

501(c)(3)	Charitable or Religious Organizations
501(c)(4)	Social Welfare Organizations
501(c)(5)	Labor and Agricultural Organizations
501(c)(6)	Business Leagues
501(c)(7)	Social Clubs
501(c)(8) or (10)	Fraternal Societies
501(c)(19) or (23)	Veteran's Organizations
501(c)(4) or (9)	Employee Associations



TIP *Each category has different tax benefits and is required to comply with different restrictions. For more information on tax-exemptions for each type of non-profit, please visit www.irs.gov/charities/nonprofits.*

Establish a Board of Directors

The board of directors ensures the organization’s mission is carried out and provides legal accountability for its operations. It is best to develop a diverse board of directors that has a variety of professional skills to offer and that represents the organization’s service recipients, contributors, volunteers, and community members.

The primary functions of the board of directors are often financial oversight and fundraising, yet there are many other responsibilities depending on the needs of the organization such as: developing the organization’s mission statement, strategic planning, hiring an executive director and staff, deciding upon organizational and personnel conflicts and evaluating the non-profit’s programs, services and performance.

Register Your Organization

Like businesses, all non-profits need to register with both the Department of Consumer and Regulatory Affairs (DCRA) and the Office of Tax and Revenue (OTR) in order to operate in DC.

To register with DCRA, you can visit www.dcra.dc.gov and select “Corporate Registration” to complete all forms online. If you plan to engage in charitable solicitation activities (i.e. grants, funds, etc.), you will need to obtain a Charitable Solicitation registration from a Basic Business License unit of DCRA. If you are a church or religious organization with tax exempt status under IRS Section 501, you do not need to complete this form. For questions, please call **202.442.4450**.

To register with the Office of Tax and Revenue, you need to fill out the R-500 form (Combined Business Tax Form) regardless of your non-profit type. If you have unrelated business income such as renting part of your facility, you also need to fill out Form D-20 (Corporate Franchise Tax Return).

To seek exemption in DC, you must first gain that status from the Internal Revenue Service and attach that exemption document to Form FR-164, Application for Exemption from Income and Franchise Tax, Sales and Use Tax, or Personal Property Tax. You can fill out your forms online at OTR’s Electronic Taxpayer Service Center web page www.cfo.fc.gov/otr. OTR’s customer service line is **202.442.4TAX (4829)**.

Develop the Bylaws

Bylaws define how the non-profit organization will be managed and operated. The bylaws should:



TIP Please refer to Chapter 1 under Business Planning for more information on developing a strategic plan.

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- ❖ Define the basic organizational structure of the non-profit
- ❖ Determine which staff and board members have authority and decision-making responsibilities and how those responsibilities are carried out
- ❖ Define the requirements and responsibilities of membership
- ❖ Create a framework for the organization and aid in resolving internal disputes
- ❖ Describe the rules for calling board meetings and specify board member election procedures

(This information was adapted from the Business Resource Center website www.brc.dc.gov.)

GRANTS AND OTHER RESOURCES

A significant amount of money for non-profits comes from grants and donations. It is also important to register for a solicitation license so that you are able to ask for money. You can obtain a Charitable Solicitation Registration Form at the Business License Center, 941 North Capital Street, NE, Room 1100, Washington, DC or at mblr.dc.gov.

The following resources are helpful for searching, writing and applying for grants.

OFFICE OF PARTNERSHIPS AND GRANTS DEVELOPMENT

The Office of Partnerships and Grants Development is a district government agency, established to help advance and assist non-profits. The Office holds seminars, conferences, and has a free resource center that provides information about public and private grant makers. For more information, please contact the:

Executive Office of the Mayor
 1350 Pennsylvania Avenue, NW, Suite 324
 Washington, DC 20004
 (202) 727-8900
www.opgd.dc.gov

AMERICAN SOCIETY OF ASSOCIATION EXECUTIVES

The American Society of Association Executives (ASAE) is an organization designed to help association professionals achieve higher levels of performance by providing them with useful tools to lead and manage. For more information, please contact the American Society of Association Executives at:

1575 I Street NW
 Washington, DC 20005
 202.371.0940
www.asaecenter.org

CENTER FOR NONPROFIT ADVANCEMENT

The Center for Nonprofit Advancement is a membership association of non-profit organizations based in the Washington, DC metropolitan area. For more information on the Center's programs and services, please contact the Center at:

1666 K Street, NW, Suite 440
 Washington, DC 20006
 202.457.0540
www.nonprofitadvancement.org

FOUNDATION CENTER

The Foundation Center is a leading authority on philanthropy. Its mission is to strengthen the non-profit sector by advancing knowledge about U.S. philanthropy. For more information, please contact the Center at:

1627 K Street, NW, Third Floor
 Washington, DC 20006
 202.331.1400
www.foundationcenter.org/washington

ONLINE RESOURCES

CHRONICLE OF PHILANTHROPY

The Chronicle of Philanthropy is an online newspaper that has daily updated information for grant seekers. This site also provides national reports with supplemental information and stories on other non-profits organizations, providing a thorough overview and best practices of the non-profit community. For more information, please visit www.philanthropy.com

GRANTS.GOV

Grants.gov allows organizations to electronically find and apply for competitive grant opportunities from all Federal grant-making agencies. For more information, please visit www.grants.gov

1. Associations in the Washington Metropolitan Area, Delta Associates.
2. Washington, DC Economic Development Background Report (DRAFT).