

THE ULTIMATE BUDGET GUIDE



How much money does it cost
to start a nonprofit?

*Figure out your starting expenses, down to the
nickel, tailored just for you!*



nonprofit **hub**

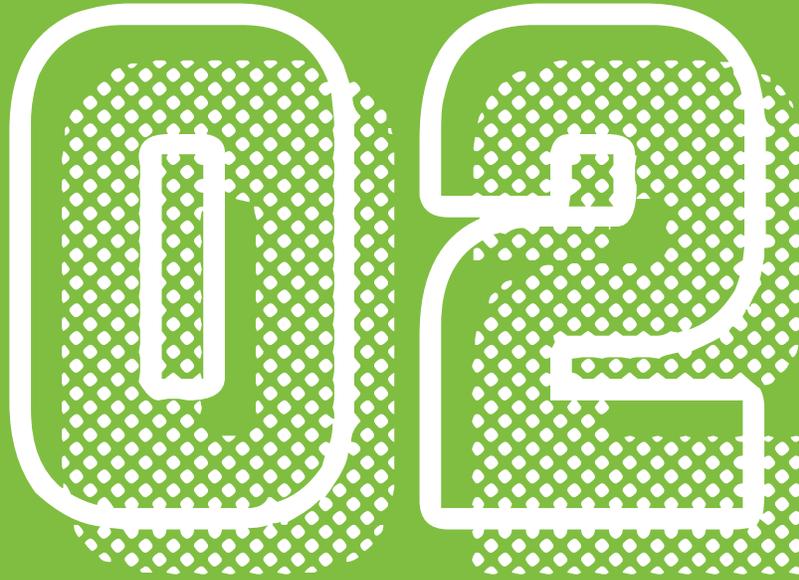
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Ask any nonprofit about their biggest challenges and you'll hear this over and over: no money, no time, no staff. In other words, not enough resources. If you're starting a nonprofit, you'll be reciting this mantra soon enough. The good news: you don't have to break the bank to start a nonprofit. If you know what you're doing (and depending on your nonprofit's needs), you CAN bootstrap a nonprofit with very little money. We'll show you how.

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EXPENSE CHART

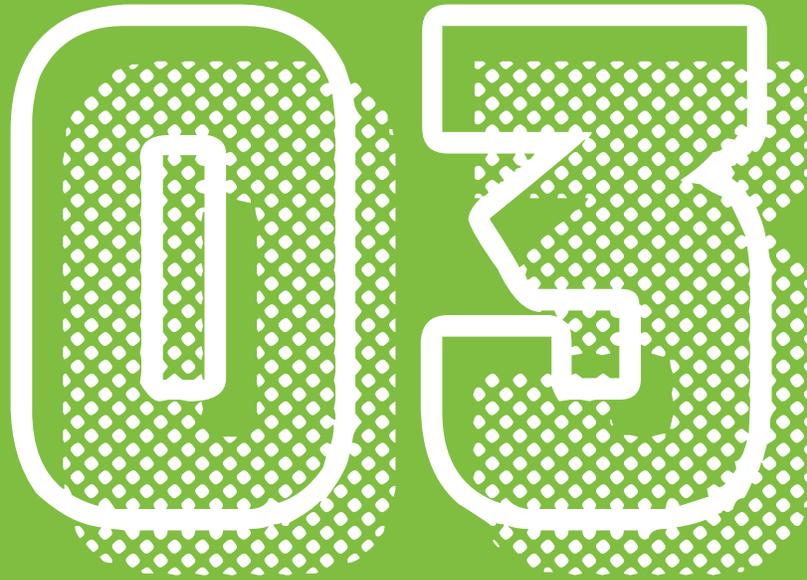


How much money do you need to start?

The answer will vary depending on a few factors, including what state you're incorporating in, but this chart covers most of the expenses you'll like face.

EXPENSE	TYPICAL COST*	YOUR EXACT COST
Incorporation	\$25-100 (learn more: page 4)	
Reserve Corporate Name and Register a Trademark	\$25-450 (learn more: page 6)	
Federal Tax ID# (EIN)	Free (learn more: page 8)	Free
501(c)(3) Status	\$400 or \$850 (learn more: page 9)	
Basic Insurance Coverage	\$800-\$1,500 (learn more: page 11)	
Website	\$25-\$3,500 (learn more: page 14)	
Other Costs (rent, etc.)	\$150-\$2,000 (learn more: page 16)	
TOTAL*	\$1,425-\$8,400	\$

*Remember, the TYPICAL cost only matters if you need all these things. Visit the "Break it down" section. You might only need 50 bucks to start.



INCORPORATION



Incorporated nonprofits are granted limited liability. That is, if you run into financial or legal trouble, lenders can't go after your personal assets. This protection shields your board members and staff as well.

In addition, you'll qualify for more types of grants and have added credibility for donors. Like all registered corporations, you'll first have to file Articles of Incorporation with your Secretary of State, renew annually and maintain a formal corporate structure, all of which take time and effort.

Priority: High	<h2>WHO NEEDS IT</h2> <p>Nonprofits with a long-term mission, high potential liability or working on a larger financial and organizational scale.</p>
Difficulty: Moderate	
Typical Costs: \$25-100 (Filing articles of incorporation)	

CUT YOUR COSTS

1

ONLY INCORPORATE FOR THE LONG-RUN

While most nonprofits seek incorporation, know that low-risk, short term nonprofits don't need to incorporate. Don't assume incorporation is necessary if it won't benefit your not-for-profit undertaking.

2

BASIC LIMITED LIABILITY

Secondly, nonprofits with a small amount of risk could simply pursue basic limited liability insurance to cover their staff as an alternative to the ongoing hassle of incorporation. (See "Insurance Coverage", pg. 11)

3

BECOMING A 501(c)(3)

Third, know that you don't need to incorporate to obtain 501(c)(3) status from the IRS, though the formal structure of incorporation will definitely help when completing the formal process of applying for 501(c)(3) status.

4

FORGET THE LAWYERS

Legal fees will raise your expenses by hundreds of dollars. With web resources and some patience, determined bootstrappers don't necessarily need to incur extra fees by hiring a lawyer to file your articles of incorporation.



NAME & TRADEMARK



Registering your name with your Secretary of State protects that name from being used by another incorporated organization.

A trademark is an owned property registered either federally or at the state level, allowing you exclusive rights to the trademark. A trademark costs more and the application process is more intense, but it has greater legal strength.

Note: Even if you don't register a trademark, you should search a database of registered corporate names and trademarks to ensure you aren't encroaching.

Priority:
High

Difficulty:
High (trademark) and
Low (register name)

Typical Costs:
\$25-450 total
Reserve your corporate name (\$15-75)
Register your trademark (\$10-\$375)
(without legal fees)

WHO NEEDS IT

Nonprofits who are incorporating and wish to protect their brand, either in-state or nationally.

CUT YOUR COSTS

1

DO YOUR RESEARCH

Whatever you decide, you'll still need to research your name to avoid future legal trouble. Select a name that isn't in use to avoid encroachment with other organizations. It'd be unfortunate to have to completely rebrand your organization and name once you've gotten established in your market.

2

SKIP THE RESERVATIONS

That said, if you search and there are no existing name conflicts, you can skip getting a trademark or reserved name entirely if you are operating at a small scale where you won't be competing with (or perceived as a competitive threat) by any fellow nonprofit organizations at any point in the future.

3

REGISTER NOW, TRADEMARK LATER

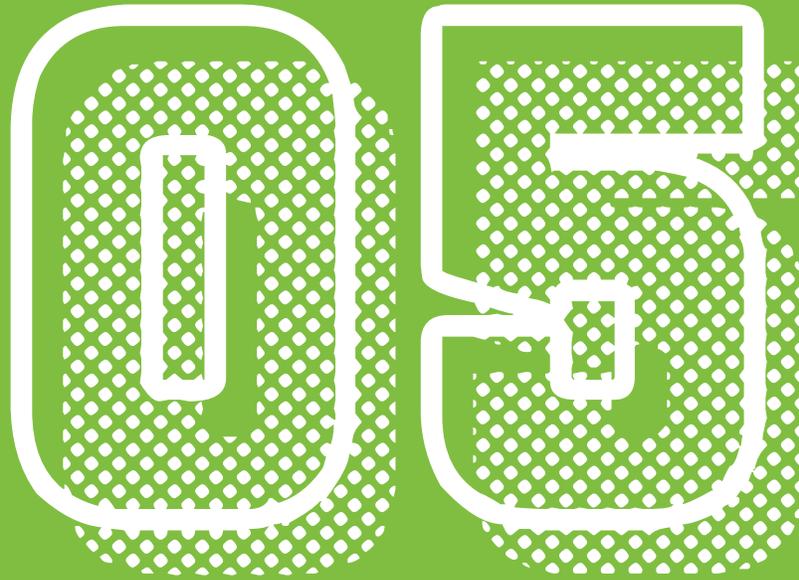
To cut costs, you might just reserve a corporate name with your state (since it's cheaper than trademarking) and consider trademarking your nonprofit if you expand operations in the future. Most nonprofits don't have the scale to require a trademark, at least at first.

FIND YOUR EXACT COSTS

Registering your business name is done through your Secretary of State office. It's typically a minimal cost, less than \$50. Search your state name and "Reservation of Corporate Name" to learn more.

To register a state-level trademark, search online for your state name and "register a state trademark." State trademarks are usually less than \$100 and are registered through your Secretary of State.

To register a federal trademark, search for the United States Patent and Trademark Office (uspto.gov) trademarks section. A federal trademark can cost over \$350.



FEDERAL TAX ID



All organizations registered with the IRS, whether they're for-profit or nonprofit, are assigned a federal tax ID number, also referred to as an Employer Identification Number (EIN).

You'll need this number when applying for 501(c)(3) status or any grants.

Priority: Moderate	<h2>WHO NEEDS IT</h2> <p>Nonprofits who are pursuing incorporation or 501(c)(3) status, or planning to pay employees.</p>
Difficulty: Low	
Typical Costs: Free	

WHY GET IT

An Employer Identification Number (EIN) is required to apply for 501(c)(3) status or if you're planning on paying employees. Plus, it is helpful for all filing aspects of incorporation, so that you won't have to use your SSN when filing forms and accounting.

HOW TO REGISTER

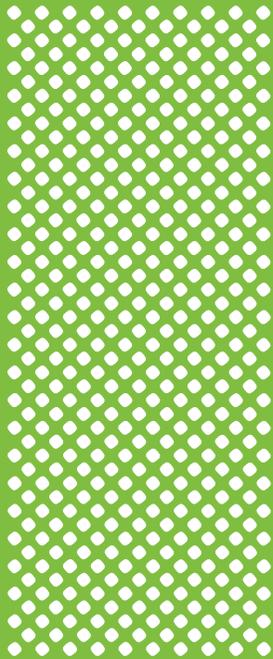
Search for "Apply for an Employer Identification Number (EIN) Online" to find information on applying for your EIN. Don't trust sites that ask you to pay for an EIN. It's free.

LIFE ADVICE

Pay your taxes and don't make the IRS angry. They can make up fees and make you pay them.



501(c)(3) TAX EXEMPT STATUS



Achieving 501(c)(3) tax exempt status will allow your organization to operate without paying federal income taxes. If you're paying staff, you'll still need to pay the state and federal taxes associated with their employment, but this status frees up funds for nonprofits to put toward their missions.

Priority:
High

Difficulty:
Moderate

Typical Costs:
\$25-100
(filing articles of incorporation)

WHO NEEDS IT

Nonprofits with a long-term mission, high potential liability or working on a larger financial and organizational scale.

CUT YOUR COSTS

1

STREAMLINE BY INCORPORATING

You don't need to incorporate to be eligible for 501(c)(3) status (but you probably should: See "Incorporation," pg. 4), so that's one way to save.

2

WEIGH YOUR OPTIONS

Hiring a lawyer to file for you adds thousands of dollars to your costs. The time investment and difficulty of filing for 501(c)(3) is immense, so carefully weigh whether your money or your time is more valuable.

3

ONLINE RESOURCES

Filing with an online service costs less than a lawyer (around \$500–\$1000), but requires a greater time commitment from you. Search "file form 1023 online" to start researching your options. Make sure you understand what your fees do and don't cover.

4

PROCEED WITH CAUTION

You can pay your filing fee with money you've received as donations, but there's risk involved. You have 27 months from beginning your organization to file for tax-exempt status—and exemption applies retroactively from the date of your organization's formal existence (i.e., incorporation). This is risky—messing with the IRS can land you in big trouble. If you fail to be approved within those 27 months, you'll be responsible for correcting your past accounting.

FIND YOUR EXACT COSTS

Online, use a Google search for "USA State Filings for Nonprofits" to find the official usa.gov portal that links to your state's Secretary of State page (often called the "Division of Corporations").

Nonprofit corporation filing information is almost always on the same page as for-profit corporation information, so don't be thrown off by that. The cost to file nonprofit Articles of Incorporation varies from state to state, but is almost always less than \$100.

In addition, some states require a notice of incorporation, usually running the notice in your county's newspaper. This will add around \$50 to your costs.



BASIC INSURANCE COVERAGE



It's a pain, but you **NEED** insurance coverage for your organization. At the very least, secure basic general liability insurance, and consider expanding your coverage to your board members and directors.

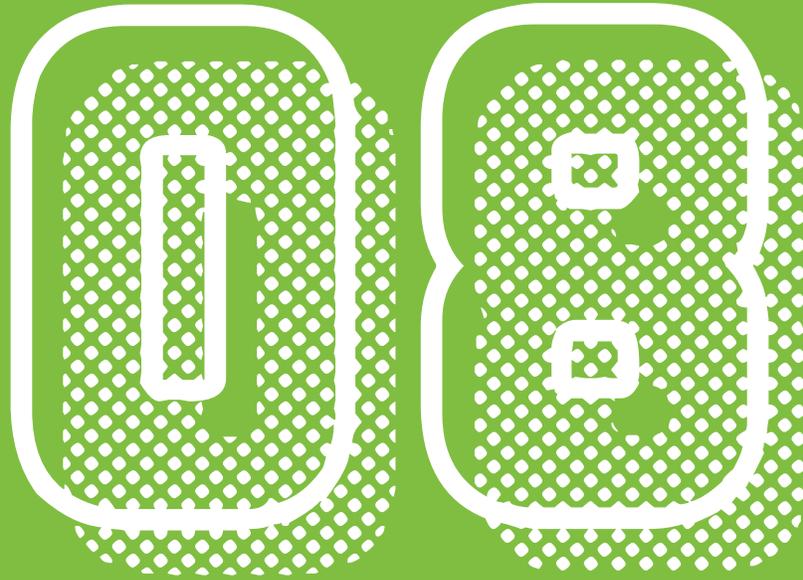
Priority: High	<h2>WHO NEEDS IT</h2> <p>Almost all nonprofits need some kind of insurance, but the exact type and costs vary wildly according to your structure. Our estimation of typical costs only includes liability; you'll have to calculate your costs if you purchase other types of insurance.</p>
Difficulty: Moderate	
Typical Costs: \$800-1,500 (General Liability-any other insurance costs not accounted for)	

GENERAL LIABILITY INSURANCE

Recommended for all nonprofits. Sometimes known as "slip-and-fall" insurance, general liability insurance protects you if someone is injured on your property. This is the most basic kind of nonprofit insurance: Anyone who has any contact with the public should acquire general liability insurance.

DIRECTORS AND OFFICERS INSURANCE (D&O)

All nonprofits who can afford it, especially if you have high net worth board members. This insurance covers your directors and officers in the event of a suit against the nonprofit director and officers (for misconduct or mismanagement). It covers legal fees and damages.



ADDITIONAL INSURANCE COVERAGE



Depending on your organization's structure, you might need additional insurance beyond general liability and D&O. Here are some common types of insurance coverage you should consider.

CUT YOUR COSTS

1

PROPERTY INSURANCE COVERAGE

Recommended for nonprofits with property.

This insurance compensates you in the event of theft, fire or other property or equipment damages (the specifics depend on your policy). Good for insuring your belongings.

2

AUTO LIABILITY INSURANCE

Recommended for nonprofits with vehicles or that require employees to drive for business purposes.

This insurance covers you in case of your employee causing damage or injury while driving on nonprofit-related business. Non-owned auto liability insurance covers your nonprofit from damages incurred by employees using their personal vehicle for business purposes.

3

WORKER'S COMPENSATION INSURANCE

Recommended for nonprofits with employees.

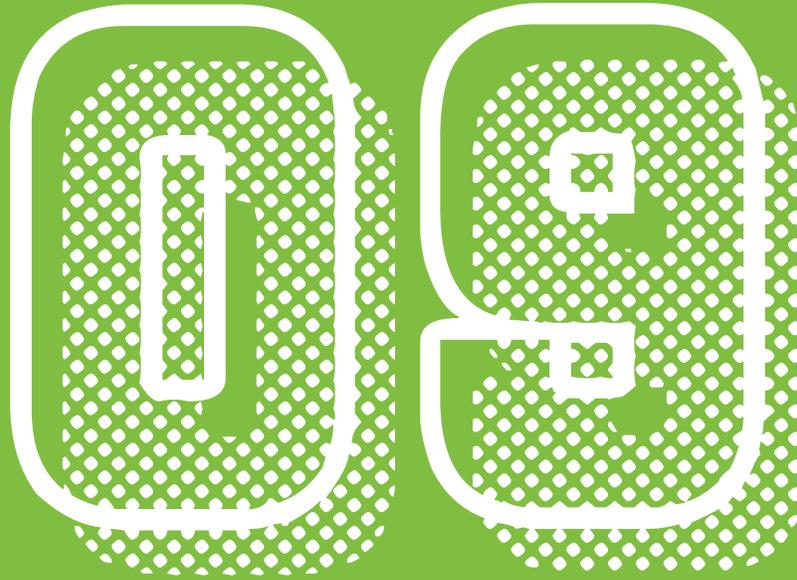
If you have employees, most states require you to get this insurance. Worker's comp provides for employees who are sick or injured due to employment-related circumstances, and protects you from related liability.

4

HEALTH INSURANCE

Recommended for nonprofits with employees.

A benefit to attract full-time employees: You cover part of the healthcare costs and employees pay premiums.



WEBSITE



Today, every nonprofit needs a website. No exceptions. A website is the ad that makes a case for your organization when you aren't at home. It connects you with thousands of folks who want to make a difference and would never be able to otherwise.

A good website pays for itself, but too many of us get bad websites because we don't see the value and don't want to spend money. Successful organizations spend money to make themselves better. It's not necessary to start with a great website, but if you're serious about making an impact, it's necessary to get to one sooner than later.

Priority: High	<h2>WHO NEEDS IT</h2> <p>Every nonprofit organization needs a website. And if the nonprofit is going to be around longer than a few weeks, money will need to be spent on it.</p>
Difficulty: Moderate	
Typical Costs: \$25-3,500	

CUT YOUR COSTS

1

NO SHORTCUTS

Don't cut corners on your website. Like marketing and fundraising, a good website brings in more money than it costs, so cutting costs backfires long term.

2

BUILD AS YOU GO

Start basic. You can start with a basic, low-cost template website and upgrade later, especially if you don't already have reliable revenue. But be wary: It's often costly and difficult to upgrade an existing website, so you'll end up paying more down the road.

3

GOOD DEVELOPERS PAY FOR THEMSELVES

Get a great developer. Many amazing nonprofits have spent countless dollars and hours on a developer with minimal experience (perhaps your nephew) and had to completely redo the work within a year. Invest in a great developer.

4

GOOGLE GRANTS

Apply for Google for Nonprofits. A nonprofit can receive free money for Google AdWords, as well as other premium benefits. You'll need to match the qualifications for Google Grants (including confirmed 501(c)(3) status).

5

WEBSITE GRANTS

Apply for a website grant. While it's highly unlikely a grant will cover 100% of your website's setup fees and expenses, if you're committed to taking your nonprofit digital, there are online grants available to help you lower the costs of creating an excellent website.

(For more website grant information, see "Resources for You" pg.#20.)

10

OTHER COSTS



Some costs don't fall into neat categories. This table outlines typical expenses you might not think of that come from starting your organization. These are the things many nonprofits forget, but end up dealing with.

The two biggest expenses that you can minimize: hiring employees and renting office space. These two things will increase your overhead exponentially, so think long and hard before committing to either.

EXPENSE	CALCULATE YOUR COSTS
EMPLOYEES	
Salaries per Month	
Federal/State Unemployment Taxes	
MARKETING	
Business Cards	
OFFICE	
Rent	
Utilities (Wi-Fi, telephone, electric)	
Computers	
Furniture	
Postage	
Letterhead	
Other Office Supplies	
TOTAL*	



DON'T BE CHEAP



There's a big difference between being a cheap nonprofit and a nonprofit that prizes frugality:

A **cheap** nonprofit cares most about **minimizing costs**.

A **frugal** nonprofit cares most about **maximizing value**.

Most of being a truly successful nonprofit comes from **understanding when to invest in yourself and when to save money**.

Here are some tips to avoid being cheap, and instead, focus on maximizing value:

1

SPEND WHERE IT MATTERS

Spend extravagantly on the things that make your organization better—and cuts costs everywhere else.

2

INVEST IN EMPLOYEES

Invest in staff members: pay for their minor expenses, fund ongoing education and training and give them the resources they need to succeed.

3

BUDGET CUTS

Resist cutting the budget evenly. Fundraising, marketing and website fundraising all create wealth for the organization. The frugal nonprofit understands cutting some departments' budgets will make the money problem worse.

4

HAVE A VISION

Think long-term. Plan for future successes.

What if I don't have enough money?

First, great! This means you've estimated your programs and fundraising revenue and realize there's a gap. This puts you ahead of 90% of non-profits who just launch without being realistic and end up discouraged or bankrupt within months. This is a blessing in disguise!



SPEND LESS. BUT BE SMART ABOUT IT.



SET A PERSONAL SAVINGS GOAL.



FUNDRAISE. YOU'RE GOING TO HAVE TO LEARN EVENTUALLY.

DO I REALLY NEED [ITEM X]?

Need it? Probably not. Would benefit from it? Maybe. Review the Break Down page of each individual item and check out the "Who Needs It?" section to see whether an item is necessary for the type of organization you're hoping to create.

HOW DO I FIGURE OUT MY INITIAL INCOME?

Creating an initial budget requires estimating how much revenue your nonprofit will be generating. This guide doesn't cover how you can figure out your initial income (just the immediate expenses). However, you can figure it out by identifying your revenue sources (grants, events, donations) and estimating the numbers for each. In general, we underestimate our expenses and overestimate our income. To counter this, reduce your estimated income appropriately.

A few free resources (and free money):

GOOGLE FOR NONPROFITS

The Google for Nonprofits program qualifies you for a gamut of benefits, including free Google Adwords advertising, which can gain you valuable search traffic.

Apply here: google.com/nonprofits

NONPROFIT WEBSITE GRANTS

The Digital Community Foundation offers grants for new and redesigned nonprofit websites. While this grant won't cover all of your nonprofit website's costs, it will save you hundreds of dollars on a cutting-edge website designed specifically for nonprofits.

*Save 20%: digitalcommunityfoundation.org
<https://www.firespringfoundation.org/>*

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BOOKS TO HELP YOU EXCEL

***The Nimble Nonprofit* by Trey Beck and Jacob Smith**

A great, breezy primer on doing work that matters. "An unconventional guide to sustaining your nonprofit."

***The Lean Startup* by Eric Ries**

Startup success isn't about the perfect idea or having lots of cash. It's about speedy testing and creating to find something (or an experience) that people really want.

***Rework* by Jason Fried and David Heinemeir Hansson**

Read this to bust up your assumptions about how an organization should operate. Underdo your competition. Stay small. Break the rules. Waste less time.



We hope you found this guide helpful, and there's a lot more where this came from!

Head to www.nonprophub.org to access all of our free resources, including webinar presentations, blog articles, infographics and more.

We believe there are hundreds of organizations on the brink of being exceptional. We want to help you get there.

 211 N. 14th Street | Lincoln, NE 68508  402.434.8540  NonprofitHub.org

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