

## The 4 Most Common Nonprofit Startup Mistakes

By [Joanne Fritz](#)

The Balance Small Business, January 09, 2019

It is hard enough to start a nonprofit. Do not make these mistakes.

If you want to solve a social problem by starting a new charitable nonprofit, you may want to stop and reconsider.

[Starting a charitable \(501\(c\)\(3\) nonprofit](#) is complex, with many missteps possible at any point. Going from nothing to a sustainable and financially healthy nonprofit is not for the timid.

Do you understand what a nonprofit is? For instance, there are [many types of nonprofits](#), but the [501\(c\)\(3\) organization](#) (public charity) is what we usually think of when we set out to solve some social problem. These are the groups that educate, heal, advocate, alleviate, or bring together people of a particular faith. They receive special treatment from the IRS, such as being able to provide a [tax deduction to their donors](#) and [exemption from many federal and state taxes](#).

Do you understand [how a charitable nonprofit organization is different from a for-profit organization](#)? For example, a business pursues a profit. Profit is its reason to exist. But charitable nonprofits pursue a social mission first, and all its income goes to that mission. A for-profit business is owned by someone, either a person or shareholders. A charitable nonprofit belongs to no one. It answers to the public and exists for the common good.

There are about [1 million public charities](#) in the US (as of 2013) but, just as with small businesses, many fail to thrive. It's also difficult to count the number of charitable nonprofits since we count only those that register with the IRS. Many [small charities never register](#) plus [churches and religious organizations](#) are not required to do so (although many do). The point is that in the charitable nonprofit world there is a lot of competition for any startup.

Just having passion about a cause will not be enough. Nonprofits require just as much foresight and [knowledge about running an organization](#) as any for-profit business does.

Here are the most common mistakes nonprofit founders make. Avoid them, and you just might be off to a great start.

### 1. Poor Research and Planning

Lack of a business plan is one of the most common mistakes that startup nonprofits make. In their enthusiasm to do good, many founders of nonprofits forget that a

nonprofit is a type of business. Businesses have business plans in hand before launching. A business plan includes an evaluation of the competitive environment, sources of funding, potential products or services to be offered and to whom, and a needs assessment.

- [What is a Business Plan and Why Do I Need One for My Nonprofit?](#)
- [Ask Yourself These 7 Questions Before You Start a Nonprofit](#)

## 2. Lack of Financial Knowledge

Close behind the lack of planning is an unrealistic expectation about funding for a startup nonprofit. Many founders do not anticipate what it will cost to start their nonprofit, much less have any idea of where to get the funds.

Any nonprofit startup needs a funding plan, must decide if it will [charge a fee for its services](#), and should set up a proper financial records system. A nonprofit with weak funding at the beginning is unlikely to sustain itself long enough to get a vigorous fundraising program going. It also pays to plan far ahead by, for instance, laying the groundwork for an [endowment fund](#) that acts a bit like insurance for long term stability.

- [Where do Nonprofits Get Their Income?](#)
- [6 Steps to a Fundraising Plan for a New Nonprofit](#)
- [6 Realities of Foundation Grants for Nonprofits](#)

## 3. Thinking It's Easier to Start a Nonprofit Than It Is

It is harder to start a nonprofit than most people think. The process of incorporating at the state level and then applying for exempt status with the IRS entails numerous steps. Passion is not enough. Hard-nosed realism about what is involved and the time it takes to achieve success will be more critical for the long haul.

- [Nonprofit Incorporation - an Overview](#)
- [How the IRS Classifies Nonprofit Organizations](#)
- [What Qualifies a Nonprofit for Tax Exemption?](#)
- [6 Ways Your Nonprofit Could Lose Its Tax Exemption](#)

## 4. Not Building an Effective Board

If there is one thing that could make or break your new nonprofit, it might be not putting together an active board. Your first board members represent your "circle of influence." They should be people who have [resources, influence, and lots of other contacts](#). Your board members should believe in your organization's [mission](#) and be willing to sell that mission to others. They should be able to open doors for you.

- [What Is a Nonprofit Board Supposed to Do?](#)

- [Your Nonprofit's First Board of Directors](#)
- [5 Ways to Find the Right Board Members for Your Nonprofit](#)
- [How and Why Board Members Make a Difference in Fundraising](#)

## What the Experts Say

I asked several experts what mistakes they see [nonprofit startups](#) make and how to avoid them:

- Susan Burnash, of Purple Duck Marketing, advised, "From teaching so many nonprofit classes I have seen the biggest challenges are focus, strategy and a real plan for marketing and creating awareness about their organization."
- Stephen Jones, of Villanova University, said, "I think it is important to follow your mission. You should start with a well-structured plan for your activities and the staff who will carry them out. Hire the best people to get the job done. Sometimes non-profits want to pay less for staff. It is better to have less staff but more competent ones."
- Daniel Halperin, a consultant, offered this bit of advice: "Being too general. As a non-profit, it's easy to get drawn into many different projects. But in your early stages, it's OK to be a little selfish and focus only on your cause. Develop a focused mission statement. Commit to it, write it down, share it, and read it often. As you succeed in your mission and emerge from 'new' status, you can spread out and partner with other groups on more diverse projects."
- William Blumberg, of Cherry Hill Seminary, wrote, "For us, we did not have a professional Executive Director. Because our Board was earnest in their intent but lacking some of the skills needed to move our organization forward, we drifted for a while. However, once we did hire our Executive Director, we were able to focus on governance and critical areas."
- Craig Weinrich, of Maryland Nonprofits, said, " Not joining their state's association of nonprofits. By being a member, you get the tools and training needed to sustain the nonprofit, a help desk for questions, and information on local, state and federal regulations." [Find your state association here.](#)
- Kim Clark, of Polished Professionals Boston, reminded new nonprofits to, "Be sure that adequate board development takes place. The board chair and the executive director should work together to create a well-balanced board with the skill sets needed to get things done."

You might also consider hiring a [non-profit consultant](#). No matter how talented your team is, some tasks and projects could use an outside expert. Consultants can be especially helpful for special initiatives, key fundraising campaigns, or anything that falls outside your team's typical skill set.