FINANCIAL SUSTAINABILITY FOR NONPROFIT ORGANIZATIONS

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Financial Sustainability for Nonprofit Organizations
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Financial Sustainability for Nonprofit Organizations

Emmanuel Jean Francois, PhD
This book is dedicated to my adorable wife, Pierrette; my incredible daughters Emmarald and Maellie; and my handsome son, Pierremael.
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Preface

Show me a financially sustainable nonprofit organization, and I will show you an organization that is committed to its vision and mission.

Based on my national and international experience, I can attest that nonprofit organizations serve various purposes, including, but not limited to, providing charity, education, culture, religion, public health and safety, sports, advocacy, politics, philanthropy, fraternity, and civil rights. I also know that some people use the structure of nonprofit organizations to enrich themselves on the backs of disadvantaged people or to fulfill neocolonialist agendas in developing countries. However, this is not the reality of every nonprofit organization. Most nonprofit organizations serve vital functions in societies and communities that neither government agencies nor private corporations are able to tackle. Many nonprofit organizations work and advocate to shed light on abuse, oppression, and exploitation by public and private entities. Many nonprofit organizations implement programs that make a difference in the lives of children, families, and communities. Public charities and other nonprofit entities represent a significant and growing sector not only in the United States, but also around the world.

With greater involvement in addressing social, economic, and environmental issues or challenges in communities, comes greater scrutiny from various stakeholders for accountability and stewardship, especially in times of financial crisis. Consequently, many nonprofit organizations have to face fierce competition to secure funding that will enable them to further their missions over time. The uncertainty of government funding and the decrease of individual contributions in times of financial hardship make financial sustainability more relevant than ever before. Nonprofit organizations must be organizationally and financially sustainable in order to pursue their visions and missions. Furthermore, the ability of the leaders of nonprofit organizations to address the financial sustainability of their agencies has become even more critical. In the context of this book, financial sustainability implies that an organization can financially survive to meet the needs of its constituency as promised by its mission statement, regardless of changes in environments and funding conditions.

This book provides leaders and managers of nonprofit organizations with theoretical and conceptual frameworks, approaches, and strategies that will enable them to manage organizations that are financially sustainable. The book aims to equip students and nonprofit leaders with the information and conceptual frameworks needed to do financial analyses, manage budgets, and conduct various operations for organizational and financial sustainability.

The book may serve as an introductory textbook for future leaders of nonprofit organizations, as well as students in schools or programs of nonprofit leadership, human service leadership, social work, public and community health, organization management, public administration, education, and other similar fields.
More specifically, the book will help the reader:

- Explore the history, philosophy, and activities of major nonprofit subsectors, including health, education, the arts, environmental advocacy, social services, and others, as well as the context for nonprofit management, the impacts of the nonprofit sector on society, and the unique challenges and opportunities nonprofits encounter in achieving their aims
- Acquire an understanding of the governance of nonprofit organizations, and the roles and responsibilities of boards, the staff, and volunteers and what makes boards and individual board members effective
- Explore administrative issues that affect the management of nonprofit organizations
- Explore the various theories, attributes, concepts, and components pertaining to nonprofit management
- Discuss the philosophy, approaches, principles, strategies, and conceptual frameworks that may help a nonprofit organization become financially sustainable or take a path toward financial sustainability
- Explore business models that can foster the financial viability of a nonprofit organization
- Explore the relationship between theories and practices of nonprofit leadership and management and financial sustainability
- Identify areas of concern in nonprofit leadership and management and how such concerns relate to governing, accountability, and stewardship responsibilities of nonprofit organizations

People have a tendency to think of financial sustainability almost exclusively in financial terms. This book argues that financial sustainability involves both financial and nonfinancial facets. To that end it provides a systemic conceptual framework. The chapters are articulated around four sections. The first part introduces the concepts of nonprofit organizations and financial sustainability. The second part, “Organization and Planning,” is about key aspects of organization and planning for sustainability in a nonprofit organization. The third part, “Financial Sustainability,” discusses issues that are vital to the financial sustainability of a nonprofit organization. The last part, “Management and Leadership,” emphasizes the contributions of management and leadership practices to the financial sustainability of nonprofit organizations.

Chapter 1, “The Nonprofit Organization Universe,” introduces the concept of nonprofit organizations in the United States. The chapter addresses the role that nonprofit organizations play in their countries and how sociocultural imperatives determine their missions. The chapter investigates the size and activities of major nonprofit subsectors, including health, education, the arts, environmental advocacy, social services, and others. It sets the context for nonprofit management by exploring the impact of the nonprofit sector on society and thinking about the unique challenges and opportunities nonprofits encounter in achieving their aims.

Chapter 2, “Financial Sustainability,” explores the dimensions of financial sustainability, as well as the principles needed to manage a nonprofit organization and generate continuous funding through diverse sources in order to support its vision and mission in a way that is socially and environmentally sustainable.

Chapter 3, “Governance and Financial Sustainability,” discusses the legal and organizational roles of the board of directors and special committees in the governance and financial viability of a nonprofit organization. The chapter explores strategies that foster financial sustainability through effective governance.

Chapter 4, “Needs Assessment and Financial Sustainability,” emphasizes how financial sustainability is rooted in the investigation and analysis of the needs of a target community. The chapter discusses theories about the needs-assessment process, as well as
action steps needed for the development of a community needs-assessment report. The chapter explores facets of financial needs assessment of a nonprofit that can help chart a course to further the vision and mission statements. The chapter argues that needs assessment is linked to the financial sustainability of nonprofit organizations.

Chapter 5, “Asset Mapping and Financial Sustainability,” introduces the theories, concepts, and approaches of asset mapping as a strategy to help nonprofit organizations identify obvious and hidden assets within their communities, mobilize them to connect issues and needs with assets, and foster the financial sustainability of a nonprofit organization. Also, the chapter examines the community context of nonprofit organizations in relation to community groups, neighborhoods, and larger social systems that influence quality of life. The chapter includes the concept and theory of community capacity, models of asset-based development for building community capacity, empowering individuals and groups, generating funding from new sources, and creating additional paths toward financial sustainability.

Chapter 6, “Strategic Planning and Financial Sustainability,” focuses on the principles, approaches, and processes of long-term strategic planning, the relationship of strategic management and program effectiveness, and the interrelations between strategic planning and financial sustainability. The chapter introduces various approaches of effective strategic planning that are geared to the financial sustainability of a nonprofit organization. The chapter includes a step-by-step development of a strategic plan that flows logically from the mission of the organization, the external environment, and organizational goals and objectives.

Chapter 7, “Budget and Financial Sustainability,” introduces the budgeting process as a key component of a financially sustainable nonprofit organization. The chapter further explains the essential role played by budget approaches and techniques in the successful and sustainable operations of a nonprofit organization.

Chapter 8, “Financial Management,” examines the financial and accounting principles and procedures related to the management of a nonprofit organization. The chapter addresses frameworks and organizational structures involved in cash-flow management, cost analysis, investment management, the analysis of new programmatic investments, and strategic financial analysis.

Chapter 9, “Financial Statements,” introduces the generic structures or formats of three main financial statements: the income statement, the balance sheet, and the statement of cash flow. This chapter explores principles and procedures used to develop various financial statements and links them to the legal financial reporting requirements of a nonprofit organization.

Chapter 10, “Financial Sustainability Analysis,” is a study of the tools and techniques of financial statement analysis, which are necessary in order to make a judgment about the financial sustainability status of a nonprofit organization. The chapter includes a systemic framework to analyze the financial sustainability of a nonprofit organization.

Chapter 11, “Financial Sustainability Plan,” suggests approaches and best practices in developing a financial sustainability plan for a nonprofit organization. The chapter includes a conceptual framework and a step-by-step process used to develop a financial sustainability plan for a nonprofit organization.

Chapter 12, “Fund-Raising and Financial Sustainability,” provides conceptual frameworks and approaches employed to organize fund-raising activities that can generate alternative funding for financial sustainability. The chapter includes an overview of various types of fund-raising strategies, existing sources of funding for nonprofit organizations, and planning of fund-raising activities.

Chapter 13, “Social Enterprise and Financial Sustainability,” emphasizes social entrepreneurship as a mission-driven enterprise and a strategy for financial sustainability in
nonprofit organizations. The chapter provides introductory information on the field of social entrepreneurship, social entrepreneurship models, and frameworks used to develop a business plan for a social enterprise.

Chapter 14 “Investment and Financial Sustainability,” suggests selected investment options that nonprofit organizations can use to strengthen their financial sustainability. The roles of governance structures, accountability, ethics, and stewardship are explored in relation to investment for financial sustainability.

Chapter 15, “Grant Seeking and Financial Sustainability,” focuses on how grant seeking can serve as a strategy to generate revenues that may ultimately contribute to the financial sustainability of a nonprofit organization. The chapter discusses the grant-searching and proposal-development process, criteria for writing effective grant proposals, and the best way to use grant awards and contracts to further the financial sustainability goals of a nonprofit organization.

Chapter 16, “Risk Management and Financial Sustainability,” introduces the theories and practices of “integrated risk management,” in relation to its contributions to the financial sustainability of a nonprofit organization. Topics include, but are not limited to, analytical frameworks for risk assessment and risk management plans.

Chapter 17, “Human Resources, Job Satisfaction, and Financial Sustainability,” discusses various concepts related to human resources management, as well as approaches and theories on job satisfaction. The chapter further explains the key roles human resources management and job satisfaction play in the financial sustainability of a nonprofit organization.

Chapter 18, “Service Delivery and Financial Sustainability,” is designed to help understand how service delivery and financial sustainability are interconnected. The chapter discusses the roles of client-centeredness, decision making, scheduling, priority setting, effective and efficient flow of services or activities, quality assurance, and continuing quality improvement, and how these factors contribute in their own context to influence positively or negatively the financial sustainability of a nonprofit organization.

Chapter 19, “Program Evaluation and Financial Sustainability,” focuses on the role played by program evaluation and performance measurement in influencing the financial sustainability of a nonprofit organization. Topics in this chapter include theories, concepts, and principles of program evaluation, logic models, performance measurement, basic research skills related to program evaluation, development of program evaluation plans for quality assurance, and continuing quality improvement.

Chapter 20, “Community Relations and Financial Sustainability,” introduces the institutions and processes that constitute the external environment of nonprofit organizations. The chapter discusses outreach, partnership, advocacy, and public relations as facets of community relations for nonprofit organizations. The chapter examines the role of a culture of accountability, communication, trust, and credibility in the financial sustainability of a nonprofit organization.

Chapter 21, “Information Technology and Financial Sustainability,” emphasizes the role of information technology as support for financial sustainability in a nonprofit organization. The chapter discusses the relationships among various aspects of nonprofit management, including financial sustainability.

Chapter 22, “Social Marketing and Financial Sustainability,” is designed to provide an introduction to the principles and practices of social marketing and their applicability to nonprofit organizations. It emphasizes the need for strategic planning in the marketing of not only products, but also programs and services. It is intended to enable nonprofit managers to manage their social marketing efforts strategically.

Chapter 23, “Leadership and Financial Sustainability,” examines various leadership theories and approaches related to nonprofit organizations. The chapter emphasizes the
relationship between leadership and strategic planning, with an emphasis on the influence of leadership on the financial sustainability of a nonprofit organization.

Chapter 24, “Organizational Transformation and Financial Sustainability,” argues in favor of organizational transformation as a strategy for financial sustainability. The chapter discusses the context and applications of organizational development, adaptation to change, resistance to change, and transition management.

Each chapter in this book starts with learning objectives. Chapters include boxes that provide additional facts (e.g., history, story, cases, or data) and practical tips. The chapter contents are followed by Questions and Activities that serve as review questions and reflective or application exercises. The Questions and Activities are suitable for self-directed learning and online and face-to-face courses. The book provides ready-to-use frameworks and templates that are easily customizable by leaders and managers of nonprofit organizations.

I hope this book will empower leaders and managers of nonprofit organizations in making decisions that may contribute to the financial sustainability of their organizations.

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University of Wisconsin, Oshkosh
Acknowledgments

This book was inspired by the resilience of the victims of the earthquake that hit the country of Haiti on January 12, 2010, and all the nonprofit organizations that dedicated themselves to assist its victims. I also would like to acknowledge the victims of all the recent tragic natural disasters in New Orleans, Chile, Japan, and the Philippines, just to name a few. I am grateful for all the nonprofit organizations and volunteers in the United States and around the world who wake up every day, thinking and doing things to contribute to making the world a better place for the neediest citizens. My hope is that they can use the contents of this book to strive for the financial sustainability of their nonprofit enterprises.

A special “thank you!” to Stephanie Drew, acquisitions editor at Springer Publishing Company. Her support was simply invaluable.

Finally, I owe special thanks to several cohorts of students from Springfield College and the University of Wisconsin, Oshkosh, who provided their input in various aspects of this book through their interactions in my class.
Financial Sustainability for Nonprofit Organizations
Share

Financial Sustainability for Nonprofit Organizations
The Nonprofit Organization Universe

OBJECTIVES

At the completion of this chapter the reader will be able to:

1. Define the concept of a nonprofit organization.
2. Describe the differences between a nonprofit and a for-profit corporation.
3. Identify the different types of nonprofit organizations in the United States.
4. Summarize the scope of the nonprofit sector in the United States.
5. Identify the basic principles related to the starting of a nonprofit organization in the United States.

Nonprofit organizations have existed for many centuries, especially through religious groups or religious-based activities. During the early American colonial period, the churches were basically the first nonprofit organizations. They played key roles in the health, well-being, education, culture, artistic diversity, and community-service areas. Talking about his travels throughout the United States, the French sociologist Alexis de Tocqueville (1966) noted in his book Democracy in America,

Americans of all ages, all conditions, and all dispositions, constantly form associations. . . . The Americans make associations to give entertainments, to found establishments for education, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; and in this manner they found hospitals, prisons, and schools. (p. 114)

Tocqueville’s comments represent an acknowledgment that nonprofit organizations are part of the American tradition and are used as a strategy to address community issues. Until the late 18th century, corporations were considered public entities and included churches and institutions of higher education (Scavoy, 1982; Whitehead, 1976). Lubove (1975) reported that most U.S. nonprofit organizations had offices in most American cities by 1900. It is important to underscore that they were self-governing groups, associations, or agencies that had no owners and were exempt from taxation. Nonprofit organizations faced suspicion in some...
conservative states, because of the social aspect of their activities. Miller (1961) and Dabney (1981) explained that while the New England states encouraged the creation of charitable organizations during the 19th century, the Southern states were very suspicious and even discouraged private charity activities. However, the post-Depression era facilitated the emergence of new nonprofit organizations. Despite some historical challenges, nonprofit organizations continue to provide services to those in need, advocate on behalf of the disadvantaged, and enrich and empower the lives of children, families, and communities throughout the United States.

ABOUT THE TERM “NONPROFIT ORGANIZATION”

The concept “nonprofit” includes the prefix “non” and thus may refer to what is “not for profit” or what is “not profitable.” Does the term “nonprofit organization” imply one of these two meanings or both? Consider first the meaning of “not for profit.” A not-for-profit organization is an organization whose purpose is not to make a profit from the activities that it conducts. This is in contrast to a “for-profit” organization, whose purpose is to make a profit for the owner(s). On the other hand, a “not profitable” organization is an entity (organization) whose activities do not generate a profit. In that context, profit refers to a positive balance when subtracting total expenses from total revenues or income.

Because many nonprofit organizations indicate they exist for educational, cultural, and charitable purposes, they can be labeled certainly as “not-for-profit organizations.” However, many of these organizations that are called “not for-profit” or “nonprofit” generate a profit that they report on their annual financial reports. Therefore, they will not fit the definition that considers them “not profitable” organizations. A question emerges: Is “profit” incompatible with the status of a nonprofit organization? If the answer is “yes,” there are no real nonprofit organizations, because most effective nonprofit organizations report a profit. If the answer is “no,” one may ask, “Why do many nonprofit organizations make a profit?” In fact, the answer is “no,” which means profit is not incompatible with the status of nonprofit organizations. In other words, nonprofit organizations do exist, and they do a lot of good for people and communities around the world. To the question, “Why do many nonprofit organizations make a profit?” the answer is simple: Effective nonprofit organizations must generate a continuing profit to be sustainable. Profit helps maintain appropriate resources that enable them to continue to serve their target population in unforeseen financial hardship. The question is not whether nonprofit organizations can generate profit, because they can. The Internal Revenue Service (IRS) recognizes 28 types of tax-exempt organizations, which is another label for nonprofit organizations. This categorization does not distinguish whether an organization makes a profit or not. These organizations are exempt from taxation of their profit, except for “unrelated business income,” which is “income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis of the organization’s exemption” (IRS, 2014b, para 1).

NONPROFIT AND FOR-PROFIT CORPORATIONS

Modern societies are organized into local and national or federal governmental entities that are primarily funded by taxpayers’ money in order to provide public services to citizens and residents. Consequently, governmental entities are owned by the taxpayers. These entities do not pay taxes, because their revenue comes from taxes.
On the other hand, individuals in society, especially in capitalist societies, can use their money to engage in entrepreneurial activities by creating businesses. Usually, businesses take several forms, such as a sole proprietorship (owned by one single individual), partnership (usually owned by two or more partner investors), or corporation defined by a U.S. Supreme Court decision as “an artificial being, invisible, intangible, and existing only in the contemplation of the law” (Schneeman, 1997, p. 159) A corporation is an entity separated from its owners or managers. It is liable for any debts and obligations. The requirements necessary to start a corporation vary from one state to another in the United States and from one country to another throughout the world.

A corporation can be for profit or not for profit, as indicated previously. A for-profit corporation is organized by a group of owners (or equity holders or shareholders) in order to generate profit (net earnings) that can be distributed to shareholders in the form of dividends. A for-profit corporation pays federal taxes. The dividends are also taxable wealth. This is what is called the principle of double taxation: The corporation is taxed as an entity, and the individual shareholder is taxed when the dividend is received.

Contrary to a for-profit corporation, a nonprofit corporation is organized to provide community services that a government agency would have had to provide and that a for-profit corporation may have no interest in providing (Box 1.1). As a result, nonprofit corporations are exempt from taxation. A nonprofit corporation has no owner, but it is controlled by the members and a board. Unlike a for-profit corporation, a nonprofit corporation cannot distribute profit to those who control and/or financially support it. The profit generated by a nonprofit organization must go to bettering services, motivating staff, upgrading equipment, providing staff training, and implementing other activities to further the vision and mission of such organizations.

Sometimes it can be difficult to distinguish a for-profit corporation from a nonprofit corporation just based on the services provided. A corporation may provide a service that looks like a nonprofit activity, but is nevertheless a for-profit business entity. For example, let us consider a fictitious corporation called Loving Companion Care, Inc. (LCC), which is owned by a group of registered nurses and is located in Appleton, Wisconsin. The mission of LCC is to provide quality companion care to elderly individuals in Appleton. Despite the financial crisis, LCC has done well. In fact, LCC has been making regular contributions to cultural events organized by some civic associations. The LCC’s shareholders were very

<table>
<thead>
<tr>
<th>BOX 1.1</th>
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<tbody>
<tr>
<td><strong>Comparison</strong></td>
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<tr>
<td><strong>Purpose</strong></td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
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<td><strong>Profit</strong></td>
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<td><strong>Taxation</strong></td>
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happy with the dividends they received at the end of the fiscal year. Would you say that LLC is a nonprofit corporation, a for-profit corporation, a sole proprietorship, or none of the above? Yes, LCC provides an important community service. Also, LCC contributes to cultural events in its community. However, LCC belongs to a group of nurses and distributes dividends to its shareholders. A corporation that belongs to a group of individuals and distributes dividends to shareholders cannot be a nonprofit organization. A nonprofit organization belongs to the public, because it receives public financial support through tax exemption and various donations. The members or board members of a nonprofit corporation act on behalf of the community.

NONPROFIT CORPORATION AS NONPROFIT ORGANIZATION

A nonprofit corporation exists based on the model of the for-profit corporation. It is also referred to as a nonprofit organization. The Internal Revenue Service defines a charitable organization as follows:

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as charitable organizations. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170. The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization’s net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction. (IRS, 2014a, para 1)

As the IRS definition indicates, nonprofit organizations are “charitable organizations,” and are exempt from federal taxation under section 501(c) of the IRS Tax Code. There are various other terms used in the United States and around the world to refer to nonprofit organizations. Equivalent terms include, but are not limited to “charities,” “voluntary associations,” “independent sector organizations,” “civil society organizations,” “civic sector organizations,” “social sector organizations,” “tax-exempt organizations,” “philanthropic sector,” “third sector organizations,” or “nongovernment organizations.” According to Willets (2012), a nongovernment or nonprofit organization is “an independent voluntary association of people acting together on a continuous basis for some common purpose other than achieving government office, making money or illegal activities.” This definition has similarities with the IRS determination of a nonprofit organization, in the sense that there must be a social community purpose, and the organization must not exist to further a partisan political agenda. The United Nations (UN) provides a definition that
considers a nonprofit organization on a larger scale as “a not-for-profit group, principally independent from government, which is organized on a local, national or international level to address issues in support of the public good” (United Nations Rule of Laws, 2014).

NONPROFIT ORGANIZATION AS ORGANIZATION

Nonprofit organizations exit as corporations in the eyes of the law and in the context of legal and financial transactions. However, as social entities, nonprofit corporations are nonprofit organizations created by collectives of people who share common goals that they want to achieve through a formal structure. Max Weber (Handel, 2002) conceptualized the formal structure of organization or bureaucracy as encompassing key elements such as (a) a division of labor or assignment of tasks to members, (b) empowerment of people through training that enables them to develop expertise in their assignment, (c) a formal hierarchy of decision making, and (d) rules of communication. By contrast, Etzioni (1975) categorized formal organizations as normative, coercive, and utilitarian. Normative organizations are created by people to pursue common goals. People join such organizations voluntarily. Coercive organizations are created to perform functions of social coercion (e.g., prisons). Individuals are forced to join coercive organizations. Finally, utilitarian organizations exist to provide opportunities to people. Members join utilitarian organizations (e.g., school, work) to gain a reward that they would not receive otherwise. A nonprofit organization is fundamentally a normative organization, because it is supposed to be a membership-based or open social or community entity. However, there are nonprofit organizations that are partially or completely coercive (e.g., a mental health residential agency) or utilitarian (e.g., a nonprofit college or university).

Various organizational theories have implications for nonprofit organizations. For example, the rational choice perspective argues that a rational bureaucracy or organizational structure is essential to achieving the goals of the collective that created an organization (Morgan, 2006; Shafritz & Ott, 2005). The system perspective counter-argues that formal structures in organizations do not guarantee efficiency and effectiveness if an organization does not account for the multiple social, political, economic, cultural, and technology factors that constitute its environment and affect its efficiency and effectiveness (Morgan, 2006; Northouse, 2004). Furthermore, an organization is subject to the dynamics of conflict of interests and perspectives in a society. Consequently, the conflict perspective theorizes that an organization can reproduce patterns of inequality in society by prioritizing the interests of the owners and managers over the interests of the workers (Morgan, 2006; Shafritz & Ott, 2005). In the context of a nonprofit organization, the conflict would be between the interests of leaders and managers and the interests of clients and communities. It is not always easy to avoid such conflict dynamics in organizations, including nonprofit organizations. As the interpretive perspective explains, organizations are social constructions of reality that reflect the human consciousness and worldview of the founders (Hutchison, 2008). To sum up, although formal structures and common goals are important for the efficiency and effectiveness of a nonprofit organization, they are not enough. In addition, a nonprofit organization must account for factors in its external environment, and have safeguards to avoid conflict of interests, as well as to ensure inclusion and responsiveness to multiple worldviews or viewpoints.
SCOPE OF THE NONPROFIT SECTOR IN THE UNITED STATES

The scope of the nonprofit sector in the United States is very significant in all aspects of social, economic, cultural, and political life. As of 2012, there were 1.6 million registered nonprofit organizations in the United States. The registered nonprofit organizations include 973,961 public charities; 98,785 private foundations; and 495,169 other types of nonprofit organizations, including chambers of commerce, fraternal organizations, and civic leagues (NCCS, 2012). Registered nonprofit organizations in the United States receive their funding from (a) contributions, gifts, grants, and contracts from the government; (b) individual volunteering and charitable giving; (c) foundation giving; and (d) revenues generated from their programs (e.g., fees for services). Roeger, Blackwood, and Pettijohn (2012) estimated that nonprofit organizations accounted for 9.2% of all wages and salaries paid in the United States in 2010, and a share of 5.5% of the U.S. gross domestic product (GDP) in 2012. Registered nonprofit organizations in the United States reported more than $2 trillion in revenue on their Forms 990, and more than $6 trillion in assets. Form 990 is a mandatory report that registered nonprofit organizations with revenues over $5,000 must submit to the Internal Revenue Service. The numbers, total revenues, and assets reported by U.S. registered nonprofit organizations on their Forms 990 are described in Table 1.1.

TYPES OF NONPROFIT ORGANIZATIONS IN THE UNITED STATES

There is a variety of nonprofit organizations in the United States that are based on their function in the nonprofit sector. The main types of nonprofit organizations functionally include, but are not limited to:

1. **Direct-service providers**, which provide direct human or social services (e.g., health, community education, referrals, counseling, and economic assistance) to clients through programs managed by their staff and volunteers. Nonprofit hospitals, community clinics, and community organizations are examples of direct-service providers.

2. **Social clubs and organizations**, which conduct activities to further the social interests of their members. Examples of social clubs and organizations include fraternities, lodges, sporting clubs, women’s associations, gay and lesbian rights groups, and unions and professional associations.

3. **Religious and cultural organizations**, which exist to profess and practice activities to advance and promote a particular religious or cultural belief. Churches, synagogues, mosques, artistic associations, and musical associations are examples of religious and cultural organizations.

4. **Information and knowledge providers**, which accumulate and manage information and knowledge to provide to their users. This category includes colleges and universities, advocacy groups, think tanks, trade associations, and research institutes.

5. **Development and support providers**, which furnish resources and support to other nonprofit organizations. Organization and management support groups are examples of development and support providers.

6. **Funding providers**, which award grants or funding to other nonprofit organizations. Private foundations are example of funding providers.
<table>
<thead>
<tr>
<th>National Taxonomy of Exempt Entities</th>
<th>Count</th>
<th>Total Revenue Reported on Form 990 (in U.S. Dollars)</th>
<th>Assets Reported on Form 990 (in U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A—Arts, Culture &amp; Humanities</td>
<td>105,893</td>
<td>36,118,532,387</td>
<td>124,958,259,362</td>
</tr>
<tr>
<td>B—Education</td>
<td>191,341</td>
<td>275,465,458,178</td>
<td>955,772,039,806</td>
</tr>
<tr>
<td>C—Environment</td>
<td>33,183</td>
<td>10,903,364,784</td>
<td>32,842,032,224</td>
</tr>
<tr>
<td>D—Animal Related</td>
<td>22,782</td>
<td>6,695,594,399</td>
<td>15,427,980,428</td>
</tr>
<tr>
<td>E—Health Care</td>
<td>42,289</td>
<td>969,582,740,536</td>
<td>1,186,965,550,705</td>
</tr>
<tr>
<td>F—Mental Health &amp; Crisis Intervention</td>
<td>15,734</td>
<td>28,368,089,408</td>
<td>23,893,394,079</td>
</tr>
<tr>
<td>G—Voluntary Health Associations &amp; Medical Disciplines</td>
<td>25,042</td>
<td>16,701,313,870</td>
<td>22,941,378,975</td>
</tr>
<tr>
<td>H—Medical Research</td>
<td>4,005</td>
<td>10,965,845,510</td>
<td>39,988,685,232</td>
</tr>
<tr>
<td>I—Crime &amp; Legal Issues</td>
<td>19,115</td>
<td>8,856,467,171</td>
<td>9,106,072,193</td>
</tr>
<tr>
<td>J—Employment</td>
<td>39,232</td>
<td>34,177,502,134</td>
<td>41,177,954,238</td>
</tr>
<tr>
<td>K—Food, Agriculture, &amp; Nutrition</td>
<td>15,586</td>
<td>12,184,541,497</td>
<td>10,897,536,117</td>
</tr>
<tr>
<td>L—Housing &amp; Shelter</td>
<td>31,428</td>
<td>23,921,818,969</td>
<td>80,914,754,979</td>
</tr>
<tr>
<td>M—Public Safety, Disaster Preparedness, &amp; Relief</td>
<td>21,573</td>
<td>3,614,599,650</td>
<td>9,579,696,316</td>
</tr>
<tr>
<td>N—Recreation &amp; Sports</td>
<td>103,097</td>
<td>29,578,570,307</td>
<td>52,542,765,412</td>
</tr>
<tr>
<td>O—Youth Development</td>
<td>38,698</td>
<td>7,192,996,044</td>
<td>14,172,539,359</td>
</tr>
<tr>
<td>P—Human Services</td>
<td>88,692</td>
<td>125,808,903,915</td>
<td>172,500,851,333</td>
</tr>
<tr>
<td>R—Civil Rights, Social Action, &amp; Advocacy</td>
<td>8,368</td>
<td>4,156,674,135</td>
<td>5,366,722,543</td>
</tr>
<tr>
<td>S—Community Improvement &amp; Capacity Building</td>
<td>120,810</td>
<td>38,478,732,573</td>
<td>119,946,373,533</td>
</tr>
<tr>
<td>T—Philanthropy, Voluntarism, &amp; Grant-Making Foundations</td>
<td>207,700</td>
<td>83,137,058,191</td>
<td>2,332,740,669,689</td>
</tr>
<tr>
<td>U—Science &amp; Technology</td>
<td>7,356</td>
<td>20,344,788,156</td>
<td>22,869,962,528</td>
</tr>
<tr>
<td>V—Social Science</td>
<td>2,050</td>
<td>2,598,061,730</td>
<td>4,350,679,096</td>
</tr>
<tr>
<td>W—Public &amp; Societal Benefit</td>
<td>67,455</td>
<td>91,839,987,304</td>
<td>562,506,042,744</td>
</tr>
<tr>
<td>X—Religion Related</td>
<td>252,953</td>
<td>14,767,743,466</td>
<td>41,100,965,563</td>
</tr>
<tr>
<td>Y—Mutual &amp; Membership Benefit</td>
<td>75,394</td>
<td>158,835,258,729</td>
<td>309,765,547,235</td>
</tr>
<tr>
<td>Z—Unknown</td>
<td>7,079</td>
<td>2,668,846,979</td>
<td>2,580,924,936</td>
</tr>
<tr>
<td>Total</td>
<td>1,565,497</td>
<td>2,049,385,064,682</td>
<td>6,233,151,202,415</td>
</tr>
</tbody>
</table>


Notes: Includes organizations that filed a Form 990, 990-EZ, 990-PF, and, since 2008, 990-N ePostcard within 24 months of the BMF (business master file) release date, as reported in National Center for Charitable Statistics Core Files and IRS Business Master Files. Organizations based in the U.S. Territories and Puerto Rico and other “out-of-scope” organizations (see NCCS Data Guide, p. 21) are excluded.
According to the National Taxonomy of Exempt Entities (NTEE), there are 9 major types of nonprofit organizations in the United States, including 26 categories and over 400 subcategories. The nine major categories are as follows (with important subcategories listed):

1. Arts, Culture, and Humanities—A (e.g., historical societies, museums)
2. Education—B (e.g., schools, colleges, and universities)
3. Environment and Animals—C, D (e.g., humane societies)
4. Health—E, F, G, H (e.g., nonprofit hospitals)
5. Human Services—I, J, K, L, M, N, O, P (e.g., family services, child protection agencies)
6. International, Foreign Affairs—Q (e.g., the Salvation Army, ACTIONAID USA)
7. Public, Societal Benefit—R, S, T, U, V, W (e.g., United Way)
8. Religion Related—X (e.g., churches, mosques, synagogues)
9. Mutual/Membership Benefit—Y (e.g., credit unions)

As previously indicated, nonprofit organization can apply for 501(c) status through the International Revenue Service. The IRS classifies 32 categories of nonprofit organizations under sections 501(c)(1) through 501(c)(27) and sections 501(d) through 501(n), including several subcategories. Table 1.2 describes the major nonprofit organization categories of the IRS Code of 1986.

STARTING A NONPROFIT ORGANIZATION

Starting a nonprofit organization requires three key factors: (1) a vision and mission, (2) satisfaction of legal requirements, and (3) organization and management practices.

Vision and Mission

The Industrial Revolution in England (1750–1850) facilitated the birth of big cities where people (pickpockets, beggars, drunks, thugs, and abandoned children) lived in very poor economic and social conditions. Also, there were many young men who left the countryside to work in urban jobs that became available as a result of the Industrial Revolution. These young men worked about 12 hours per day, 6 days a week. In June 1844, George Williams, a young British sales assistant in a London shop, and a group of his coworkers started a group to bring hope and comfort using a Christian perspective to young men living in unhealthy conditions in London. The group was called the Young Men’s Christian Association or the YMCA. Today, the YMCA operates in many countries in the world, serving people from all social, political, and economic backgrounds.

In June 1859, a Swiss businessman named Jean-Henri Dunant traveled to Italy, then occupied by France, in order to lobby before the French emperor about his difficulties in doing business in Algeria, which was also occupied by France. While in Italy, Dunant witnessed an important battle of the Austro-Sardinian war in a small Italian town called Solferino. In A Memory of Solferino, Dunant reported that about 40,000 soldiers from both sides died or were left wounded in just 1 day. The tragedy was that there was little to no basic medical care for the wounded. Dunant abandoned the business mission of his trip,
### TABLE 1.2  Sections of 1986 Tax Code Relative to Tax-Exempt Organizations in the United States

<table>
<thead>
<tr>
<th>Section of 1986 Tax Code</th>
<th>Description of Organization</th>
<th>General Nature of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>501(c)(1)</td>
<td>Corporations organized under Acts of Congress (including federal credit unions)</td>
<td>Instrumentalities of the United States</td>
</tr>
<tr>
<td>501(c)(2)</td>
<td>Title-holding corporation for exempt organization</td>
<td>Holding title to property of an exempt organization</td>
</tr>
<tr>
<td>501(c)(3)</td>
<td>Religious, educational, charitable, scientific, literary, testing for public safety, to foster national or international amateur sports competition, or prevention of cruelty to children or animals organizations</td>
<td>Activities of a nature implied by description of class of organization. Further classified as: private foundations or public charity organizations</td>
</tr>
<tr>
<td>501(c)(4)</td>
<td>Civic leagues, social welfare organizations, and local associations of employees</td>
<td>Promotion of community welfare; charitable, educational, or recreational</td>
</tr>
<tr>
<td>501(c)(5)</td>
<td>Labor, agricultural, and horticultural organizations</td>
<td>Educational or instructive, the purpose being to improve working conditions and to improve products and efficiency</td>
</tr>
<tr>
<td>501(c)(6)</td>
<td>Business leagues, chambers of commerce, real estate boards, etc.</td>
<td>Improvement of business conditions of one or more lines of business</td>
</tr>
<tr>
<td>501(c)(7)</td>
<td>Social and recreation clubs</td>
<td>Pleasure, recreation, social activities</td>
</tr>
<tr>
<td>501(c)(8)</td>
<td>Fraternal beneficiary societies and associations</td>
<td>Lodges that provide payment of life, sickness, accident, or other benefits to members</td>
</tr>
<tr>
<td>501(c)(9)</td>
<td>Voluntary employees’ beneficiary associations</td>
<td>Provide payment of life, sickness, accident, or other benefits to members</td>
</tr>
<tr>
<td>501(c)(10)</td>
<td>Domestic fraternal societies and associations</td>
<td>Lodge devoting its net earnings to charitable, fraternal, and other specified purposes; no life, sickness, or accident benefits to members</td>
</tr>
<tr>
<td>501(c)(11)</td>
<td>Teachers’ retirement fund associations</td>
<td>Teachers’ association for payment of retirement benefits</td>
</tr>
<tr>
<td>501(c)(12)</td>
<td>Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc.</td>
<td>Activities of a mutually beneficial nature similar to those implied by the description of class of organization</td>
</tr>
<tr>
<td>501(c)(13)</td>
<td>Cemetery companies</td>
<td>Burials and incidental activities</td>
</tr>
<tr>
<td>501(c)(14)</td>
<td>State-chartered credit unions, mutual reserve funds</td>
<td>Loans to members</td>
</tr>
</tbody>
</table>

(continued)
### TABLE 1.2  Sections of 1986 Tax Code Relative to Tax Exempt Organizations in the United States (continued)

<table>
<thead>
<tr>
<th>Section of 1986 Tax Code</th>
<th>Description of Organization</th>
<th>General Nature of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>501(c)(15)</td>
<td>Mutual insurance companies or associations</td>
<td>Provide insurance to members substantially at cost</td>
</tr>
<tr>
<td>501(c)(16)</td>
<td>Cooperative organizations to finance crop operations</td>
<td>Financing crop operations in conjunction with activities of a marketing or purchasing association</td>
</tr>
<tr>
<td>501(c)(17)</td>
<td>Supplemental unemployment benefit trusts</td>
<td>Provide payment of supplemental unemployment compensation benefits</td>
</tr>
<tr>
<td>501(c)(18)</td>
<td>Employee-funded pension trust (created before June 25, 1959)</td>
<td>Payment of benefits under a pension plan funded by employees</td>
</tr>
<tr>
<td>501(c)(19)</td>
<td>Post or organization of past or present members of the armed forces</td>
<td>Activities implied by nature of organization</td>
</tr>
<tr>
<td>501(c)(20)</td>
<td>Group legal services plan organizations</td>
<td>n/a</td>
</tr>
<tr>
<td>501(c)(21)</td>
<td>Black lung benefit trusts</td>
<td>Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases</td>
</tr>
<tr>
<td>501(c)(22)</td>
<td>Withdrawal liability payment fund</td>
<td>To provide funds to meet the liability of employers withdrawing from a multiemployer pension fund</td>
</tr>
<tr>
<td>501(c)(23)</td>
<td>Veterans organization (created before 1880)</td>
<td>To provide insurance and other benefits to veterans</td>
</tr>
<tr>
<td>501(c)(25)</td>
<td>Title-holding corporations or trusts with multiple Parents</td>
<td>Holding title and paying income from property to 35 or fewer parents or beneficiaries</td>
</tr>
<tr>
<td>501(c)(26)</td>
<td>State-sponsored organization providing health coverage for high-risk individuals</td>
<td>Provide health care coverage to high-risk individuals</td>
</tr>
<tr>
<td>501(c)(27)</td>
<td>State-sponsored workers’ compensation reinsurance organization</td>
<td>Reimburse members for losses under workers’ compensation acts</td>
</tr>
<tr>
<td>501(d)</td>
<td>Religious and apostolic associations</td>
<td>Regular business activities; communal, religious community</td>
</tr>
<tr>
<td>501(e)</td>
<td>Cooperative hospital service organizations</td>
<td>Perform cooperative services for hospitals</td>
</tr>
<tr>
<td>501(f)</td>
<td>Cooperative service organizations of operating educational organizations</td>
<td>Perform collective investment services for educational organizations</td>
</tr>
<tr>
<td>501(k)</td>
<td>Child care organization</td>
<td>Provide care for children</td>
</tr>
<tr>
<td>501(n)</td>
<td>Charitable risk pools</td>
<td>Pool certain insurance risks of 501(c)(3)</td>
</tr>
</tbody>
</table>

Source: Internal Revenue Service (2013).
and devoted himself to helping with treatment and care for the wounded. Also, he organized and motivated the local community to help care for the wounded of both sides, with no discrimination. Then he advocated before powerful political and military figures in Europe for the creation of a voluntary relief organization that could assist nurses in caring for the wounded. He also argued for an international treaty to guarantee the protection of neutral medical professionals and volunteers caring for the wounded on a battlefield. The commitment and determination of Dunant and other people whom he won to his cause led to the creation of the International Committee of the Red Cross. Today, every country in the world has its version of the Red Cross, which provides assistance not only during wars, but also in times of natural disaster.

In 1860, three women in Hartford, Connecticut—Mary Goodwin, Alice Goodwin, and Elizabeth Hammersley—saw young boys in the streets who seemed to be a lost cause. These women felt the need to take action and provide an alternative way of life for these children. They created a club to provide hope to these young boys. The Boys Club was born. Later, other people bought into the vision and created Boys Clubs throughout the United States. They created Boys Clubs of America, which received a U.S. congressional charter in 1956. Later, in 1990, Boys Clubs of America integrated young girls, and the organization renewed its charter to become what is known today as “Boys and Girls Clubs of America.”

Mary, Alice, and Elizabeth saw a situation that probably broke their hearts. They formed a vision from that situation. They acted on that vision, and created an organization that rescued the lives of many people. George saw a need, responded to a call for action, and made a difference through a nonprofit organization called the YMCA. Like George Williams and the women of Hartford, Jean Henry Dunant saw a need. He claimed a vision and a mission from that need. He persuaded others to espouse his vision, and created a nonprofit organization that positively changed the world forever. In all three examples, there was a need identified by one person or a group of people. Then, there was a vision. The vision was translated into a mission to act, to create a nonprofit organization that transcends times and makes a difference in the lives of people. The point is that serious nonprofit organizations start with a vision, and from the vision emerges a mission to drive the call for action. Organizations, including nonprofit organizations, express their drive through their vision and mission statements.

**Vision Statement:**

Haines (2000) refers to vision statements as “shared hopes, dreams, and shared image of the future” (p. 25). Allison and Kaye (2005) define a vision statement as “a guiding image of success” and “the pursuit of this shared image of success that inspires and motivates people to work together” (p. 68). Although the above definitions inform us about what a vision statement is, they fail to provide specific indicators that would enable us to tell a well-written organizational vision statement from one that is not.

Jean Francois (2011) asserts that in the vision statement of most organizations, there are:

- A strategic intent *(where the organization will be at some future time)*
- A statement of value *(the values that the organization will be recognized for)*
- A statement of quality *(the quality of its operations and products or services)*
- One or more indicators of change in a broader community, nation-state, or world perspective

According to Jean Francois (2011), a vision is “an ideal picture of what an individual, organization, or a business strives to be at some future time. This is an overall direction, something to be pursued” (p. 7). The focus can be on the organization or the client or a community, a society, or the world.
Example 1: Save The Children’s Vision Statement

Our vision is a world in which every child attains the right to survival, protection, development and participation.

This vision statement includes:

- **A strategic intent:** … a world in which every child attains …
- **A statement of value:** every child = inclusion, children’s rights and protection
- **A statement of quality:** child survival, protection, development, and participation

Example 2: Mississippi Library Commission’s Vision Statement

All Mississippians have access to quality library services in order to achieve their greatest potential, participate in a global society, and enrich their daily lives.

This vision statement includes:

- **A strategic intent:** All Mississippians have access to quality library services …
- **A statement of value:** … achievement, participation in globalization, life enrichment
- **A statement of quality:** … access to quality library services

**Mission Statement:** Most textbooks on for-profit or nonprofit organizations introduce the concept of the mission statement as a mandatory ingredient of the organization’s strategic-planning process (Allison & Kaye, 2005; Haines, 2000; Holland & Ritvo, 2008; Jean Francois, 2011; Smith, 2005). Almost all scholars agree that a mission statement answers the following questions: (a) Why does organization “X” exist? (b) What does it want to accomplish? (c) For whom? (d) What are the guiding principles in the process? Jean Francois (2011, p. 9) indicates that a mission statement should include:

- A statement of purpose (Why does organization “X” exist?)
- The specification of the clients (Whom does the organization serve?)
- The business (What are the services, products … offered by the organization?)
- The philosophy (What are the values, beliefs, or guiding principles of servicing, producing…?)
- And possibly a self-concept (Is there some concept of pride that the organization values in a unique way?)

Example 3: Big Brothers Big Sisters of America’s Mission Statement

The mission of Big Brothers Big Sisters of America is to make a positive difference in the lives of children and youth, primarily through a professionally supported one-to-one relationship with a caring adult, and to assist them in
achieving their highest potential as they grow to become confident, competent and caring individuals.

This mission statement includes:

- **A statement of purpose:** … make a positive difference
- **The specification of the clients:** … children and youth
- **The business:** … professionally supported one-to-one relationship with a caring adult
- **The philosophy:** … assist them in achieving their highest potential
- And possibly a **self-concept:** … confident, competent and caring

**Example 4: The Gazelle Trust’s Mission Statement**

Provide essential financial and material assistance, in terms of education, shelter and healthcare to orphans and vulnerable children in developing countries.

This mission statement includes:

- **A statement of purpose:** … provide essential financial and material assistance
- **The specification of the clients:** … orphans and vulnerable children in developing countries
- **The business:** … education, shelter and healthcare
- **The philosophy:** … humanitarian assistance
- **Self-concept:** None!

**Satisfaction of Legal Requirements**

As indicated earlier, a nonprofit organization starts with a vision and a mission. Vision and mission statements can be written in formal styles to share with others who might be interested in espousing them. Having a vision and a mission can be an important factor in helping to meet the requirements related to the creation of a nonprofit organization in the United States. One of the requirements is to have a board of at least three members in order to incorporate a nonprofit organization. The specific requirements, including incorporation fees, vary from one state to another. However, in every U.S. state, there is a division of corporations that receives applications from U.S. legal residents or citizens who want to either start an American or a foreign for-profit or nonprofit corporation. Articles of incorporation and other documents may be required to incorporate depending on the state. Articles of incorporation are usually provided in the form of a template that will help a state record the name of the nonprofit organization, the purpose, the names and physical addresses of the board members, the incorporator, and the registered agent.

As a corporation, a nonprofit organization must apply for an Employer Identification Number (EIN) through the IRS. The EIN is the equivalent of the Social Security Number of a nonprofit organization. It is especially necessary for future financial transactions of the organization. For example, it is mandatory to provide a copy of the EIN along with the proof of nonprofit incorporation in order to open a bank account for a nonprofit organization.
In the United States, incorporation is done at the state level. However, there is another layer of requirements to meet in order for a nonprofit organization to become exempt from federal taxes. The IRS considers every corporation a taxable entity until such corporation proves otherwise by applying for tax-exempt status. To that end, a nonprofit organization can apply for 501(c) status through the IRS. One of the most popular 501(c) tax-exempt organizations is the 501(c)(3) type. An applicant organization must complete IRS Form 1023 to apply for 501(c)(3) status. If the application is approved, the IRS issues a 501(c)(3) determination letter, which will serve as proof that the organization enjoys federally tax-exempt status. In addition, a nonprofit organization must file for exemptions at the local and state levels, depending on the state. Finally, a nonprofit organization must comply with charitable solicitation laws that may exist at the state, county, or municipal levels. This is especially important for fund-raising purposes.

**Organization and Management Practices**

The overall organization and management of a nonprofit organization is the responsibility of the board of directors. However, the board of directors must delegate the management and administration of regular activities to an executive or administrative body (chief executive officer, chief financial officer, development officer, program managers, project managers, program assistants, and other similar staff), which will vary from one organization to another. A compelling vision alone is not enough for a successful nonprofit organization. Strategic planning and implementation of activities are very important to fulfill the vision and mission of a nonprofit organization. A nonprofit organization must have bylaws, which set the principles and procedures to make decisions within the organization. The adoption of the bylaws is the responsibility of the board members. The board must also work with managers to develop budget, fund-raising plans, development plans, record-keeping and accounting systems, and to maintain insurance policies for risk prevention and management.

A nonprofit organization must conduct a community needs assessment to ensure that future programs will take into account the needs of the target population. Simply put, a community needs assessment consists of process and research activities for identifying the available resources of a community and the unmet needs of its people. A community needs assessment can involve extensive data collection through surveys and/or interviews. It can also be a review of secondary data that are available online or in libraries. It can be a nominal group technique with key informants from a target population. The approach adopted depends on what an organization wants to accomplish.

A needs assessment is important because it provides a baseline of information for strategic planning. A nonprofit organization must translate its mission statement into more specific strategic goals that can be achieved within a reasonable period of time, usually 5, 7, or 10 years. The document that outlines the strategic goals and activities and resources to achieve such goals is called a strategic plan.

As the name implies, strategic goals are designed to provide the big picture to an organization. Strategic goals cannot be achieved overnight. They may never be achieved at all if there is no effort to follow through on their implementation. Specific objectives and activities, as well as appropriate strategies, must be defined into a more short-term (annual, quarterly) document called an action plan. The action plan determines the regular decisions that must be made in order for the organization to fulfill its mission and vision. In other words, the fulfillment of the vision and the mission of a nonprofit organization is an ongoing endeavor, which can succeed only if the strategic plan is translated into...
operational or short-term action plans. Obviously, organization and management require continuous assessment and monitoring to ensure that a nonprofit organization is on a viable or sustainable path.

CONCLUSION

This chapter provided an overview of the nonprofit organization in the United States, the main characteristics of nonprofit organizations, and the reality of the nonprofit sector today. Nonprofit organizations and human service agencies employ nearly 11 million full-time equivalent (FTE) employees, representing the third-largest U.S. industry (Salamon, Sokolowski, & Geller, 2012). The nongovernmental sector is growing throughout the world. Increasingly, these organizations are playing key roles in the economic and social contexts of their countries. Unlike private-sector organizations concerned primarily with making a profit, nonprofit organizations are focused on carrying out a specific public-service mission. Successful nonprofit organizations require substantial capability in key areas of management: developing strong boards of directors, recruiting and motivating talented staff and volunteers, creating plans to focus resources on relevant goals and innovative programs, winning the support of diverse stakeholders, raising funds, and wisely managing fiscal and human resources.

QUESTIONS AND ACTIVITIES

1. The Association for Special Children and Families (ASCF) is based in Cleveland, Ohio. The Association was created in 2001 by a group of professionals who wanted to help special needs children and their families. According to the official document of the Association, the vision of ASCF is to “help people realize their dream.” Their mission is to “provide opportunities to the community.” The ASCF provides the following services:
   - Guidance and support to parents with special needs children
   - Free information through a newsletter and the ASCF website
   - Training and advocacy assistance at no cost
   - Recreation programs for children and their families
   - Campaigns for acceptance of children and adults with disabilities
   - Education and information for parents and professionals about disability issues

   a. Would you say that the vision and mission statements of the Association for Special Children and Families are well crafted? Explain.
   b. Based on the information provided, how would you rewrite the mission and vision statements of the Association?

2. Find the vision and mission statements of an existing nonprofit organization.
   a. Write a critique of the selected vision and mission statements.
   b. Conclude whether or not the vision and mission statements are effective.
   c. If not effective, how would you rewrite the vision and/or the mission statement?

3. Go to the website of the Division of Corporations for your state of residence. What are the requirements to incorporate a nonprofit organization?

4. Go to the website of your state, county, or city of residence.
   a. What are the requirements to obtain tax-exempt status for a nonprofit organization?
   b. What are the requirements to obtain authorization to make charitable solicitations?
5. Describe an issue that breaks your heart or bothers you every time you witness it or think about it. What do you think you can do to address that issue or solve that problem? Identify at least two other people you think might be interested in addressing that problem. What would you say to convince them to partner with you and start a nonprofit organization?

REFERENCES


