

The following material is excerpted from the Colorado Nonprofit Insider, prepared by Colorado Grants.



We have helped Colorado nonprofits raise \$120 million. Contact Jay Katz at jkatz@coloradogrants.org or 303-800-5452, or see our website, www.coloradogrants.org

Program/Operations Grants and New Nonprofits:

Perspective of the Daniels Fund

New organizations applying to the Daniels Fund have an opportunity to secure funding, but the organization needs to do its homework and design a program that truly meets the community's need. Noah Atencio, Assistant Vice President of the Daniels Fund Grants Program, provides the following recommendations for emerging organizations applying for a grant:

- "They should make sure they're reaching a niche that no one else is filling, and they should work closely with existing organizations to be sure that they're not duplicating efforts."
- "We look for local support. We want to know that our dollars will be combined with local support to better sustain an organization. We look for support from donors and other local nonprofits doing similar work. If there is an afterschool program two blocks from a Boys and Girls Club, we'd like to know the two programs coordinated services and there is no overlap. We talk with our grantees and try our best to know what's going on in their communities."
- "The Daniels Fund wants to support organizations and program that are working; quality begets quality. Talk about your accomplishments to date."

Capital Campaigns and New Nonprofits:

Perspective of the Boettcher Foundation

Timothy Schultz, Katie Kramer and Julie Lerudis of the Boettcher Foundation are all very clear that they encourage first-time applicants to approach the foundation. The Boettcher Foundation is active in Rural Philanthropy Days, and reaches out to nonprofits statewide to encourage them to apply. They counsel urban, suburban and rural nonprofit staff individually to help them plan their letter of inquiry or grant application, and to better understand the foundation's requirements.

If you are a new or young nonprofit with early plans to purchase or renovate a building, the Boettcher Foundation is highly unlikely to consider your request. "Generally, our founders wanted us to fund existing organizations that have an established history," says Timothy Schultz. He adds that like most foundations, the Boettcher Foundation encourages young and new nonprofits to build a track record of success before pursuing a capital campaign. "Nonprofit boards can do a disservice to urge the organization to buy a building too early in their history. It's better to get their programs up and running first. Carrying out a building project can be a headache, and nonprofits need to be prepared to deal with that process."

Our Perspective

Grants are hard work, and involve much more than a written proposal

We get a lot of calls from young nonprofit organizations who want help writing grant proposals. Frequently, our help is requested before an organization has conducted the essential elements of planning and carrying out its programming.

New groups can be successful in securing program or operations grants, but only when they have a solid plan, have already operated the programming, and can demonstrate strong outcomes and management. We think a lot of funders are turned off when the organization seeks funds from them before they have asked their natural supporters, such as constituents/beneficiaries, family members of constituents/beneficiaries, board members, and friends/families of board members, for a donation.

There are several other key questions to consider to strengthen your organization and make it more fundable. For example, do you have financial controls in place and a strong board? Have your management staff participated in any training on nonprofit management? Are you willing to carry out strategic planning to create a three to five year vision for all aspects of your operations? Are you prepared to rely on your donated time and volunteers, donated space, and limited funding for the early years of your organization's existence? Do you have a strong evaluation plan in place that qualitatively and quantitatively proves that the community is benefiting from your assistance?

Competitive Advantage: Starting an Effective Nonprofit Organization

How to distinguish your organization from 17,000 tax-exempt Colorado groups?

According to the National Center on Charitable Statistics (2006), there are more than 17,000 tax-exempt charitable organizations in Colorado. In every facet of community life and charity, there are hundreds of charities. For example, 1,946 Colorado groups address the arts, 1,429 provide human services, 2,513 focus on education, 640 address health-related issues, 413 provide housing and/or shelter organizations, and 1,443 offer recreation, sports and leisure activities.

Is there room for further growth in Colorado's nonprofit sector? The answer is yes, but because so many groups already exist it is critical to consider several issues before forming a new nonprofit.

What pre-planning should a prospective nonprofit do before seeking tax-exempt status?

In his book *A Legal Guide to Starting and Managing a Nonprofit Organization*, Bruce Hopkins says that "being enthusiastic, imaginative, and creative about establishing a nonprofit organization is one thing. Actually forming the entity and making it operational is another. For better or worse, the exercise is much

like establishing one's own business. It is a big and important undertaking, and it should be done carefully and properly. The label 'nonprofit' does not mean 'no planning.' Forming a nonprofit organization is as serious as starting up a new company."

Key steps before starting a new nonprofit include:

1. **Clearly identify that the organization will meet a need that is not currently being met.** Do not solely use anecdotal evidence to determine the need; meet with nonprofit and community leaders addressing similar issues and gather reliable local data to support the need. Many people rely on their intuition, personal experience or feedback from a few people who would need the service, and that typically is not enough.
2. **Identify whether or not a new nonprofit needs to be formed.** Your efforts to research what other organizations are doing may reveal that the service or a similar program is already being provided. If possible, pursue opportunities to collaborate with an existing program before forming a brand new nonprofit. There may be a larger organization with solid infrastructure

(board of directors, office space, fund-raising capacity) that can be persuaded to sponsor a new program area.

- 3. Create a business plan and share that information with others in the community before forming the organization.** The plan should identify the organization's initial board of directors, mission statement, key program areas and associated activities, target population, community outreach, income/expense budget, financial management systems, and fund-raising strategies. How will you make your services distinct and different than what is already being provided? How will you work with those existing programs? How else can you connect with the community (i.e. joining with other groups, community task forces and coalitions to address specific community

you must do much more than seek grants, and identify strategies to leverage funds from other sources besides grants.

In what instances is it better for an organization to form as a for-profit rather than a nonprofit?

If you want full control, a nonprofit corporation is not the right legal structure for you. Nonprofits are governed by a board of directors, which is responsible for the group's vision, finances, major policies and legal accountability for operations. In other words, the board controls the organization, not the staff or founder. Entrepreneurs might be frustrated by the loss of control – and by the public nature of a nonprofit that requires so much information to be made public.

Should a new nonprofits immediately apply for

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needs)? What is your vision for the first year, and the first three years? Without a viable business plan and management structure, you will struggle to deliver program services, and not be competitive in securing grant funding and other support.

- 4. Carry out a plan to recruit initial board members,** including those who understand the issue you are addressing or have been impacted by the issue themselves. Clearly communicate what their roles and responsibilities will be once the organization is formed.
- 5. Conduct preliminary fund-raising.** In our experience, most newly created nonprofit organizations initially struggle to gain community support, competing against established nonprofit groups for a limited pool of grants, donations and volunteers. It is essential that you **develop a plan to raise funds**, and test the plan. For example, contact foundations with preliminary questions on whether or not they would be likely to support your organization's activities. Also know that

grants once they receive their tax-exempt status?

Your first fund-raising focus is to reach out to your natural donor base. Friends, family members, people who believe in what you are trying to do – along with the founders and your board members – should be the first people providing financial support to the organization. Don't ask strangers, such as grantmakers, for donations before you have asked your natural supporters.

What resources are available in Colorado to help those considering starting a new nonprofit?

The Community Resource Center has an excellent program to help individuals plan and identify steps for establishing a nonprofit. See http://www.crcamerica.org/nonprofit_formation/default.asp

The **Colorado Nonprofit Development Center** is an incubator for charitable projects that have not yet applied to the IRS or incorporated with the state. See www.cndc.org