

## Module 2.0 Introduction to Non-Profits – An Unmet Need

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### 2.1 What is the Difference between a Nonprofit and a For-Profit Corporation?

- The key difference between a for-profit and a nonprofit is that one is organized to make money for its owners and the other is not. A nonprofit is meant to serve a charitable, educational, scientific or literary purpose. This distinction in purpose between the two types of organizations is what drives most of the other differences between nonprofits and for-profits.
- References: [Pros & Cons of the 501\(c\)\(3\)](#)

### 2.2 Establishing a Nonprofit Organization (NPO)

- Typically, establishing an official, non-profit organization is the result of a group of like-minded community members coming together to address a need for services and/or advocacy efforts within their community. In most cases, the objective of this group is relatively clear but there is no structural underpinning or legal status from which to operate.
- Following is a brief overview of the beginning steps in creating a non-profit organization:
- Step 1 – The Mission Statement: The first step in establishing a nonprofit organization is to determine the need for the service and develop a brief statement to describe that service. This is also called a Mission Statement.
  - A nonprofit mission statement describes the purpose of your organization and what you’re hoping to accomplish in an easily understandable way.
  - A good nonprofit mission statement should be a few sentences or less. It should also be written in a way that anyone can understand.
  - The length of a mission statement varies from 2 words to over one hundred words. Twenty-five words or less is a good target for length.
  - Examples:
    - Mobility International USA (MIUSA) - To empower people with disabilities to achieve their human rights through international exchange and international development.
    - Disability Rights Education and Defense Fund (DREDF) - To advance the civil and human rights of people with disabilities through legal advocacy, training, education, and public policy and legislative development.
    - World Institute on Disability (WID) - WID's mission in communities and nations worldwide is to eliminate barriers to full social integration and increase employment, economic security, and health care for persons with disabilities.

- Step 2 – The Business Plan: A business plan explains the “Who/What/How/Where/When”
  - Typically, it will answer questions such as:
    - Who are the nonprofit’s customers?
    - What is the geographic area for the nonprofit are services?
    - What other nonprofits are providing similar services? “
    - What services does our nonprofit deliver that are unique?
    - A business plan is the action plan, identifying the tasks, milestones, and goals, but also identifying the potential for success and the potential risks ahead, given the nonprofit’s “competitive advantages” and the environment in which it operates.
- Step 3 – The Strategic Plan:
  - Addressed in detail in Module 3, the strategic planning process takes all that the business plan has identified and answers “how” the desired results will be achieved, such as “How will we accomplish all this with limited resources? What will we prioritize?” Other questions that a strategic plan might answer include: “What needs to happen so that we can achieve success?” and “How will we measure success?”

### 2.3 Business Planning for Nonprofits

- Business planning anticipates the inevitability of organizational change, and focuses on producing a plan that is realistic, comprehensive, and integrated across organizational functions – all while remaining true to the mission of the organization. - Terri Theisen, Theisen Consulting, LLC
- Typical Elements of a Business Plan
  - Cover Page
  - Table of Contents
  - Executive Summary
  - People: Overview of the nonprofit’s structure
  - Market opportunities/competitive analysis
  - Programs and services: Overview of implementation
  - Contingencies
  - Financials
- Follow this [link](#) for an article from [National Council of Nonprofits](#) with more information on business planning.

### 2.4 Board of Directors’ Roles and Responsibilities – An Overview

- A non-profit organization is required in most countries to have a Board of Directors in order to qualify as a NPO. Board members are the fiduciaries who steer the organization towards a sustainable future by adopting sound, ethical, and legal governance and financial management policies, as well as by making sure the nonprofit has adequate resources to advance its mission.
- Major Responsibilities:
  - Hire and set compensation for CEO/Executive Director

- Adopt a policy addressing conflicts of interest
- Advocate for the organization
- Fundraising
- Duties:
  - Duty of Care: Take care of the nonprofit by ensuring prudent use of all assets, including facility, people, and good will;
  - Duty of Loyalty: Ensure that the nonprofit's activities and transactions are, first and foremost, advancing its mission; Recognize and disclose conflicts of interest; Make decisions that are in the best interest of the nonprofit corporation; not in the best interest of the individual board member (or any other individual or for-profit entity).
  - Duty of Obedience: Ensure that the nonprofit obeys applicable laws and regulations; follows its own bylaws; and that the nonprofit adheres to its stated corporate purposes/mission.
- More on Board Roles and Responsibilities - <https://www.councilofnonprofits.org/tools-resources/board-roles-and-responsibilities>