

# Organizational Development and Business Management for Peer Run Organizations



Presented by the National Consumer  
Supporter Technical Assistance Center  
(NCSTAC)

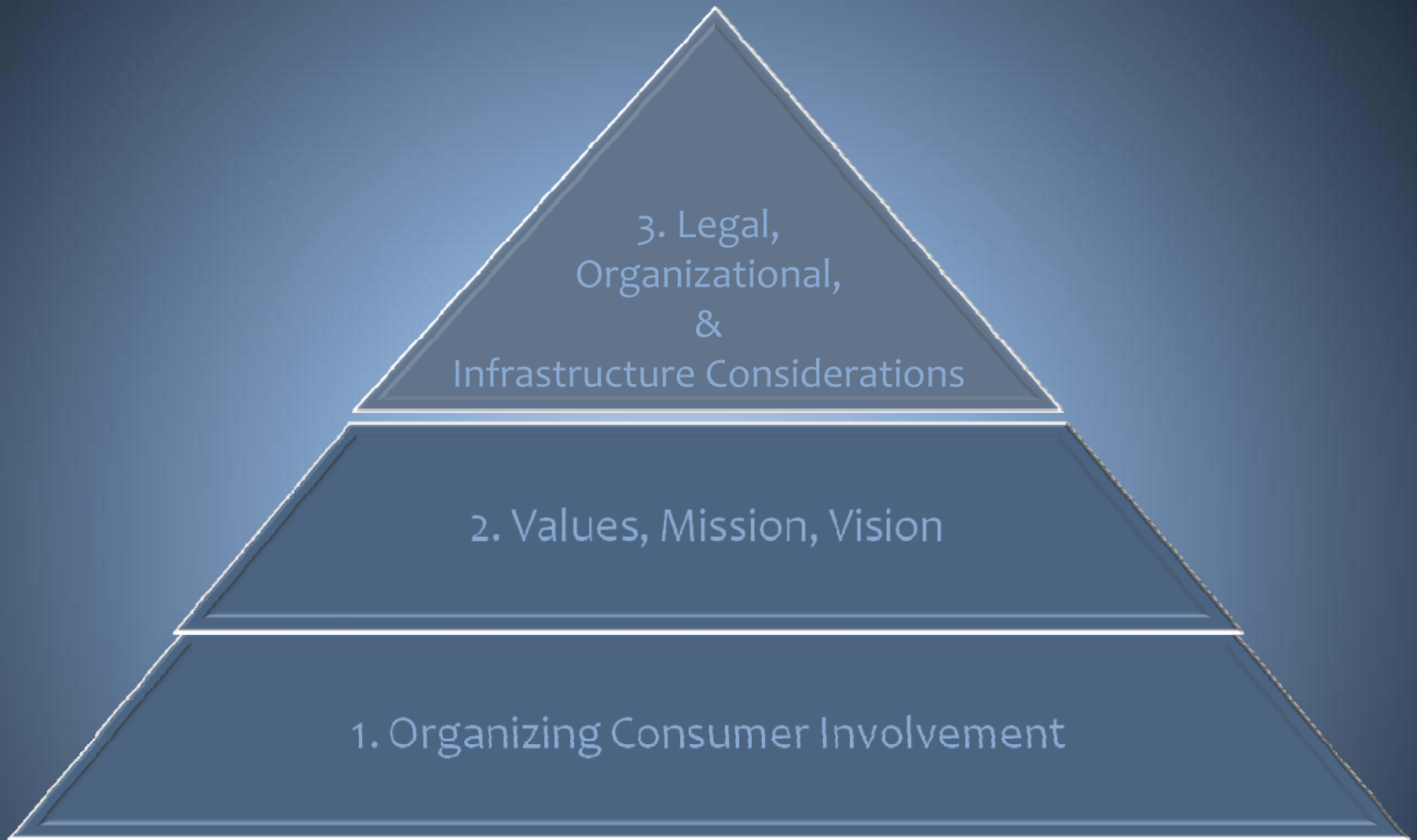
NCSTAC is supported by Mental Health America and is  
funded by the Center for Mental Health Services (CMHS)  
and the Substance Abuse and Mental Health Services  
Administration



# Consumer-Run Nonprofit Basics

## Starting Your New Nonprofit

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Advocacy Initiative Network of Maine



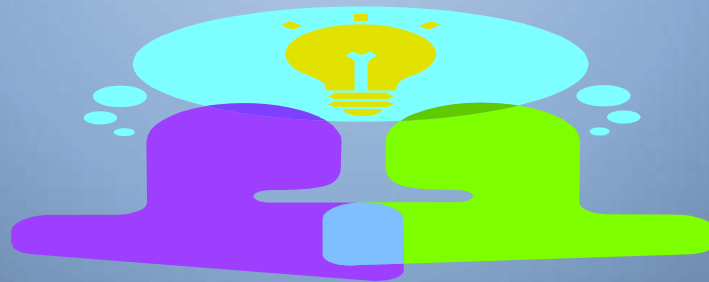
# Organizing Consumer Involvement



Many mental health consumer organizations begin with just a few people sitting around a table sharing their life experiences and identifying what was/is lacking in their mental health systems, other public services, and communities to promote recovery and improve quality of life.

# Organizing Consumer Involvement

This core group of individuals who share a desire to form an advocacy group is crucial to any organizing effort. They talk about possible solutions and new ideas and discover a common goal – The desire to effect positive change to systems and services, to public attitudes and perspectives, and to create new alternative programs that enhance resiliency and promote recovery.



They lay the ground work for a group that has the potential to become a substantial, viable organization.

# Organizing Consumer Involvement



They recognize that their numbers are many and if they could organize consumers across their state to deliver a unified message together they could become powerful change agents.

# Organizing Consumer Involvement

Initiating a process for inclusive input from your consumer community is the most crucial task your group will undertake.

This process is all about....



Laying the foundation and getting the “buy-in”.

# Organizing Consumer Involvement

## Organizational Considerations

- A. You can be a nonprofit organization just by getting together with some friends, e.g., to form a self-help group. In this case, you're an informal nonprofit organization.

# Organizing Consumer Involvement

## Organizational Considerations

B. You can incorporate your nonprofit so it exists as a separate legal organization in order to

- 1) own its own property and its own bank account;
- 2) ensure that the nonprofit can continue on its own (even after you're gone);
- 3) protect yourself personally from liability from operations of the nonprofit.

and you incorporate your nonprofit by filing articles of incorporation with the appropriate local state office. (An incorporated nonprofit requires a board of directors.)

# Organizing Consumer Involvement

If you want your nonprofit (and if you think your nonprofit deserves) to be exempt from federal taxes (and maybe some other taxes, too), you should file with the IRS to be a "tax-exempt" organization. (The IRS states that you must be a corporation, community chest, fund, or foundation to receive tax-exempt status.) Probably the most well known type of nonprofit is the IRS classification of 501(c)(3), a "charitable nonprofit". (Being tax-exempt is not the same as being tax-deductible)

# Organizing Consumer Involvement

Depending on the nature of your organization, you may also be granted tax-deductible status from the IRS.

Publication 526 lists the types of organizations to which donations are deductible.

So, for example, you could start a nonprofit that is incorporated, tax-exempt and eligible to receive tax deductible donations.

The particular steps you take when starting your nonprofit depend on your plans for your organization, including the nature of its services. They also depend on how the IRS interprets the nature of your organization, including its services.

# Organizing Consumer Involvement

First Things First -- What Do You Mean by  
"Starting a Nonprofit"?

*Get Clear About the Purpose (the Mission)  
for Your New Organization*

# Organizing Consumer Involvement

1. At its most basic, the mission statement describes the overall purpose of the organization. It addresses the question "Why does the organization exist?"
2. The statement can be in a wide variety of formats and lengths, ranging from a few sentences to a few pages. At this stage in the development of your nonprofit, it might be best to keep your mission statement to at most about half a page.

# Organizing Consumer Involvement

3. When writing the mission statement, try to include a description of what you think will be the new nonprofit's
  - a) primary benefits and services to the public and/or its membership
  - b) who will benefit from your organizations existence
  - c) values that will guide how your nonprofit will operate  
(More about this later).
  - d) how you'd like others to view your nonprofit

# Organizing Consumer Involvement

## Remember Our History

The consumer movement as it is known today can trace its roots to the first patient who complained about being locked up in a facility for involuntary psychiatric treatment over a hundred years ago. Much of the first organizing efforts for mental health consumers came about as a result of the civil rights movement in this country that started in the 1950's and eventually led to a general upsurge in civil liberties activism in the 1960's. It was this activism, some successful litigation about patients' rights, and many consumers who were unhappy with the psychiatric treatment they were forced to receive that led to the first successful groups of organized mental health consumers that began forming in the early 1970's.

# Organizing Consumer Involvement

The mental *health consumer* movement is a political movement initiated and maintained by people who have received behavioral health services ranging from psychotherapy to forced treatment in a locked facility. Its two main goals are

- 1) to develop consumer-run alternatives to psychiatric treatment, and
- 2) to secure full citizenship rights for people labeled "mentally ill".

Further, the movement insists that people who have been labeled as "mentally ill" speak for themselves and not be represented by those who have no experience of being stigmatized by such labeling.

# Organizing Consumer Involvement

4. It's often useful to refine the first, basic mission statement by adding or deleting a sentence or a word from the mission statement until you feel the remaining wording accurately describes the purpose of the new nonprofit organization.

5. Let's assume that your "core group" (planning group) has met and together you have developed a basic mission statement. At this point the mission statement is just enough to describe what you are hoping to accomplish by developing this new organization. Now you are ready to hold your first "organizational meeting". You are ready to invite others to join your group and share the work of development.

# Organizing Consumer Involvement

## The Work of the Development Group 3 Vital Tasks

1. Create the “Mission Statement”
2. Create the “Vision Statement”
3. Create the “Value Statements”



# Vision



# Mission

# Values

# Vision, Mission, & Values

## Developing a Values Statement

1. Values represent the core priorities in the organization's culture, including what drives members' priorities and how they truly act in the organization, etc. Value statements are your beliefs. Values are increasingly important in strategic planning. They often drive the intent and direction for "organic" planners.



# Vision, Mission, & Values

## Developing Values Statements

2. Again, developing a values statement can be quick culture-specific, i.e., participants may use methods ranging from highly analytical and rational to highly creative and divergent, e.g. focused discussions, divergent experiences around daydreams, sharing stories, etc. Therefore, visit with the participants how they might like to arrive at the description of their organizational values.



# Vision, Mission, & Values

## Developing Values Statements

3. Establish four to six core values from which the organization would like to operate. Consider values of customers, shareholders, employees and the community.

Develop a list of “value” words to start the brainstorming like:

inclusion

choice

respect

Lived-experience

listening

Freedom

Hope

self-determination

# Vision, Mission, & Values

## Developing Values Statements

It can be very helpful to write a sentence that describes the value in action to be clear as to how it is demonstrated in behavior.

### Value Statement

*We believe that all people must be treated in a respectful, fair, and equitable manner in all activities of the Advocacy Initiative Network of Maine.*

### Action Sentence

*Our Board of Directors meetings are public meetings open to all, therefore when there are guests we will welcome them, introduce them, and include them in our discussions.*

# Vision, Mission, & Values

## Developing a Values Statement – A test

4. Be prepared to notice any differences between the organization's preferred values and its true values (the values actually reflected by members' behaviors in the organization).

Record each preferred value on a flash card, then have each member "rank" the values with 1, 2, or 3 in terms of the priority needed by the organization with 3 indicating the value is very important to the organization and 1 is least important. Then go through the cards again to rank how people think the values are actually being enacted in the organization with 3 indicating the values are fully enacted and 1 indicating the value is hardly reflected at all.

Then address discrepancies where a value is highly preferred (ranked with a 3), but hardly enacted (ranked with a 1).

# Vision, Mission, & Values

## Developing Values Statements

### Key Components for Your Vision

#### Incorporate Your Beliefs

Your vision must be encompassed by your beliefs.

Your beliefs must meet your organizational goals as well as community goals.

Your beliefs are a statement of your values.

Your beliefs are a public/visible declaration of your expected outcomes.

Your beliefs must be precise and practical.

Your beliefs will guide the actions of all involved.

Your beliefs reflect the knowledge, philosophy, and actions of all.

<sup>25</sup> Your beliefs are a key component of strategic planning.

# Vision, Mission, & Values

## Developing Your Mission Statement

As we have said, at its most basic, the mission statement describes the overall purpose of the organization. Therefore it may be helpful to also consider:

1. If the organization elects to develop a vision statement before developing the mission statement, ask “Why does the image, the vision exist -- what is its purpose?” This purpose is often the same as the mission.

# Vision, Mission, & Values

## Developing Your Mission Statement

2. Developing a mission statement can be quick culture-specific, i.e., participants may use methods ranging from highly analytical and rational to highly creative and divergent, e.g. focused discussions, divergent experiences around daydreams, sharing stories, etc. Therefore, visit with the participants how they might like to arrive at description of their organizational mission.

# Vision, Mission, & Values

## Developing Your Mission Statement

3. When wording the mission statement, consider the organization's products, services, markets, values, and concern for public image, and maybe priorities of activities for survival.

4. Consider any changes that may be needed in wording of the mission statement because of any new suggested strategies during a recent strategic planning process.

# Vision, Mission, & Values

## Developing Your Mission Statement

5. Ensure that wording of the mission is to the extent that management and employees can infer some order of priorities in how products and services are delivered.

6. When refining the mission, a useful exercise is to add or delete a word from the mission to realize the change in scope of the mission statement and assess how concise is its wording.

7. Does the mission statement include sufficient description that the statement clearly separates the mission of the organization from other organizations?

# Vision, Mission, & Values

## Developing Your Mission Statement

Once you have clarified your beliefs, build on them to define your mission statement which is a statement of purpose and function.

Your mission statement draws on your belief statements.

Your mission statement must be future oriented and portray your organization as it will be, as if it already exists.

Your mission statement must focus on one common purpose.

Your mission statement must be specific to the organization, not generic.

# Vision, Mission, & Values

## Developing Your Mission Statement

Your mission statement should be a short statement, one or two sentences is best. If that just isn't possible stick to one or two paragraphs – no more than ½ page

Here is an example mission statement: "By providing quality education, we empower individuals to become caring, competent, responsible citizens who value education as a lifelong process."

## Mission Statement

The Advocacy Initiative Network of Maine (AIN) is a consumer-driven statewide organization developed by, for and with customers of mental health services throughout Maine. AIN is dedicated to strengthening consumer voice in Maine through education, training, and support. AIN envisions a consumer-driven behavioral health system. To work toward this goal, the Advocacy Initiative Network works to create a consumer network throughout the state of Maine that provides a forum for exchanging information, supporting the creation and sustainability of programs and initiatives that provide a better quality of life for all of us. Our objective is to ensure that consumer voice and experience drive all program design, delivery and evaluation. AIN provides information, education, and skills training to consumers to be full partners at policy tables impacting the design, delivery, and quality of mental health services in our state. Our collective voice summons others to work with us for real systems change so every adult mental health consumer is viewed as a whole person and is supported to live, work, learn, and participate fully in their communities; raise their children, contribute to society, and pursue the same opportunities afforded to all citizens in our state.

# Vision, Mission, & Values

## Developing a Vision Statement



1. The vision statement includes a vivid description of the organization as it effectively carries out its operations.

2. Like the mission statement developing a vision statement can be quick culture-specific, i.e. participants may use methods ranging from highly analytical and rational to highly creative and divergent, e.g. focused discussions, divergent experiences around daydreams, sharing stories, etc. Therefore, visit with the participants how they might like to arrive at the description of their organizational vision.

# Vision, Mission, & Values

## Developing a Vision Statement

3. Developing the vision can be the most enjoyable part of planning, but the part where time easily gets away from you.

4. If you are revisiting your vision you may note that originally, the vision was a compelling description of the state and function of the organization once it had implemented the strategic plan, i.e. a very attractive image toward which the organization was attracted and guided by the strategic plan. Recently, the vision has become more of a motivational tool, too often including highly idealistic phrasing and activities which the organization cannot realistically aspire.

# Vision, Mission, & Values

## Developing a Vision Statement

### Benefits of Visioning

The process and outcomes of visioning may seem vague and superfluous. The long-term benefits are substantial, however. Visioning:

Breaks you out of boundary thinking.

Provides continuity and avoids the stutter effect of planning fits and starts.

Identifies direction and purpose.

# Vision, Mission, & Values

## Developing a Vision Statement

Alerts stakeholders to needed change.

Promotes interest and commitment.

Promotes laser-like focus.

Encourages openness to unique and creative solutions.

Encourages and builds confidence.

Builds loyalty through involvement (ownership).

Results in efficiency and productivity.

# Vision, Mission, & Values

## Developing a Vision Statement

### Vision Killers

As you engage in the visioning process, be alert to the following vision killers:

- Tradition

- Fear of ridicule

- Stereotypes of people, conditions, roles and governing councils

- Complacency of some stakeholders

- Fatigued leaders

- Short-term thinking

- "Naysayers"

# Legal, Organizational, & Infrastructure Considerations



**Typical Small Nonprofit with CEO**

# Legal, Organizational, & Infrastructure Considerations

**12 tasks you will need to accomplish as part of the process of establishing a nonprofit organization:**

- 1) Develop vision and mission statements ✓
- 2) Select individuals to serve on the board of directors
- 3) Establish bylaws and board policies
- 4) Obtain an employer identification number (EIN)
- 5) File the certificate of incorporation
- 6) Follow state and local nonprofit regulations

## **12 tasks you will need to accomplish as part of the process of establishing a nonprofit organization:**

- 7) File for federal tax exemption
- 8) Open a bank account and establish fiscal management policies i.e. check signing procedures
- 9) Find office space and obtain office equipment
- 10) Recruit staff and prepare a personnel manual
- 11) Establish a payroll system and procure necessary insurance coverage
- 12) Develop an overall fundraising plan

# Legal, Organizational, & Infrastructure Considerations

(12 tasks)

## 2. Select individuals to serve on the board of directors

The board of directors is the governing body of a nonprofit organization. The responsibilities of the board include discussing and voting on the highest priority issues, setting organizational policies, and hiring and evaluating key staff. Board members are not required to know everything about nonprofit management, but they are expected to act prudently and in the best interests of the organization. They approve operating budgets, establish long-term plans, and carry out fundraising activities.

# Legal, Organizational, & Infrastructure Considerations

12 tasks

## 2. Select individuals to serve on the board of directors

*Unique to Mental Health Consumer Boards*

Funding often requires that your board be made up of 51% mental health consumers

Most statewide consumer networks have statewide representation on their boards either by region or county

Diversity of culture, age, gender and sexual orientation is an important consideration

Diversity of life experience is also an important consideration.

Having people who have the life experience of living with a mental illness who are currently using services is as important as

those who no longer need services and those who have never used services.

# Legal, Organizational, & Infrastructure

## Considerations

### 2. Select individuals to serve on the board of directors

Finding desirable board members can be a difficult task. A good board member is someone who is interested in the organization's purpose, willing to work within a group, and be in a position to make financial contributions to the organization, or to find others who will. Inviting prominent members of the community to join your board can attract interest, excitement and prestige to the organization.

# Legal, Organizational, & Infrastructure Considerations

## 2. Select individuals to serve on the board of directors

It is also desirable if board members are well known in the field in which the nonprofit organization functions, and it can be extremely beneficial if they have expertise in areas such as real estate, nonprofit law and accounting. For example, having someone on your board who is savvy on real estate matters can be quite helpful when complex issues arise down the road, such as negotiating leases or purchase contracts.

# Legal, Organizational, & Infrastructure Considerations

## 2. Select individuals to serve on the board of directors

### Important points during this process:

It is essential that prospective board members be told what is expected of them before they are proposed for election. Asking people to join the board without providing a "job description" is sure to create an ineffective board. Build a board slowly.

Proceeding carefully can provide the necessary time for learning why an individual wants to become a board member, and deciding whether his or her agenda is compatible with the organization's.

# Legal, Organizational, & Infrastructure Considerations

## 2. Select individuals to serve on the board of directors

When building the board, it is important to recruit beyond your immediate circle of friends and acquaintances. Often, there is an assumption that professionals and businesspeople will not be sympathetic to the pursuits of a new grassroots organization. Despite these concerns, there are various strategies that can be employed to seek board candidates:

# Legal, Organizational, & Infrastructure Considerations

## 2. Select individuals to serve on the board of directors

Seek out the advice of local funders, such as foundation staff, United Way officials, and government officials who have an interest in your organization's mission. Contact executive directors and board officers of large, established nonprofit institutions in your community for their suggestions. Speak to religious leaders in your locale to see if they can recommend any candidates, particularly from their own congregations. Ask for volunteers at any canvassing efforts, open houses, special events, and benefits that your organization sponsors.

# Legal, Organizational, & Infrastructure Considerations

## 3. Establish bylaws and board policies

Bylaws define how a nonprofit organization will be managed and how it will run. They determine which staff and board members have authority and decision-making responsibilities and how those responsibilities should be carried out. They create a framework for the organization, and aid in resolving internal disputes. They also describe the rules for calling board meetings, and how and when board members are elected.

[BoardSource: Building Effective Nonprofit Boards](#)

[Managementhelp.org Free Complete Toolkit for Boards](#) (Posted by the Management Assistance Program for Nonprofits)

# Legal, Organizational, & Infrastructure Considerations

## 3. Establish bylaws and board policies

In addition to bylaws, it is advisable to have something at a lower level of formality, such as board policies. You might, for instance, adopt a Conflict of Interest Policy and setup a procedure for board members and officers to disclose whether they, or people close to them, may be in a position to benefit from something the nonprofit is doing. Having such a policy in place will assure funders that the chief officers of the nonprofit organization understand the importance of handling charitable dollars prudently and responsibly.

[BoardSource: Building Effective Nonprofit Boards](#)

[Managementhelp.org Free Complete Toolkit for Boards](#) (Posted by the Management Assistance Program for Nonprofits)

# Legal, Organizational, & Infrastructure Considerations

3. Establish bylaws and board policies and provide

Training,

Training,

and more

Training

# Legal, Organizational, & Infrastructure Considerations

## 4. File the Certificate of Incorporation

The first step in becoming a corporation is drafting the legal incorporation document--the "certificate" or "articles" of incorporation--and filing the document with the appropriate office within your state government, usually the office of the Secretary of State or Attorney General. In some states, approval must first be obtained from any state agency that will be regulating the proposed programs of the nonprofit organization. State incorporation usually can be accomplished within a matter of weeks, although multiple or complex state agency reviews can considerably extend that period.

# Legal, Organizational, & Infrastructure Considerations

## 4. File the Certificate of Incorporation

As you prepare the articles of incorporation, you will need to determine the name of the organization, where the organization will be headquartered, and its overall purpose. When preparing the "purposes clause," remember to state the goals of the organization broadly in order to provide program flexibility in the future, and do not include purposes that will trigger state agency reviews of the proposed incorporation unless your organization in fact plans to conduct those programs.

# Legal, Organizational, & Infrastructure Considerations

## 4. File the Certificate of Incorporation

Prior to the incorporation process, you also will need to make a decision whether or not your nonprofit will be a membership organization. Members may have significant rights with respect to internal governance, such as the right to elect and remove directors, vote upon changes in the structure of the organization and amend bylaws.

# Legal, Organizational, & Infrastructure Considerations

## 4. File the Certificate of Incorporation

Becoming a membership organization can be beneficial. For example, prominent individuals from existing community groups affiliated with your organization may feel a strong sense of ownership in the effectiveness of the board of directors, and in the overall success of the nonprofit's mission if they are members. However, forming your corporation as a membership corporation also imposes legal obligations in preserving the rights of members to participate in the corporation's governance.

# Legal, Organizational, & Infrastructure Considerations

## 5. Follow state and local nonprofit regulations

Once you receive tax-exempt status from the federal government, it is likely that you will need to file separately for state and local tax exemptions. Most states and many localities require nonprofits to register with the Charities Registration Bureau of the state or locality where they'll be fundraising. If your organization plans to fundraise actively in several states, you may need to register in each state in which you will be soliciting from the public.

# Legal, Organizational, & Infrastructure Considerations

## 5. Follow state and local nonprofit regulations

Nonprofit organizations that are exempt under Section 501(c)(3) may qualify for exemption from state sales tax as well as from property taxes (if property is owned). Check with your State Department of Finance or Taxation to secure the necessary forms. For property tax exemption, apply to your local (county, town, or city) tax assessor's office. Your organization also may qualify for a nonprofit bulk-mailing permit, which would dramatically reduce your cost for third-class bulk mailings. You can obtain a permit by applying to the main office of your local post office.

# Legal, Organizational, & Infrastructure Considerations

## 6. Obtain an employer identification number (EIN/

To open one or more bank accounts in the name of the organization (and to file Form 990 with the IRS after each fiscal year), you will need to obtain an employer identification number (EIN), also called a federal tax identification number. An EIN may be obtained by filing Form SS-4 with the Internal Revenue Service. Looking ahead, this step is necessary for withholding employee income tax once you begin to hire staff. Obtaining an EIN usually takes no longer than 30 days, and there is no filing fee.

[Form SS-4, Application for Employer Identification Number](#)  
[Publication 1635, Understanding Your EIN](#)

# Legal, Organizational, & Infrastructure Considerations

## 7. Open a bank account and establish check signing procedures

It is important to establish a prudent system of checks and balances when dealing with the finances of an organization. It is advisable to allocate finance work among several people so that no one person is in charge of handling all of the transactions related to money. For example, when dealing with the receipt of cash, there should be one staff member who receives and tallies the funds, but a different staff member who then is responsible for taking the money to the bank and making the deposit.

### Resources on the Web:

[Managementhelp.org](http://Managementhelp.org) - Basic Guide to Non-Profit Financial Management  
(Posted by the Management Assistance Program for Nonprofits)

[Lumity.org](http://Lumity.org)

# Legal, Organizational, & Infrastructure Considerations

## 7. Open a bank account and establish check signing procedures

You should arrange for bank statements to be sent directly to the executive director, in order to ensure that each transaction can be accounted for. In turn, the bank statements then can be forwarded to the staff member responsible for reconciling the account(s).

By proceeding in such a prudent fashion, the potential for misappropriation of funds is minimized. Such sound fiscal procedures will please auditors, as well as future donors.

### Resources on the Web:

[Managementhelp.org](http://Managementhelp.org) - [Basic Guide to Non-Profit Financial Management](#)  
(Posted by the Management Assistance Program for Nonprofits)

[Lumity.org](http://Lumity.org)

# Legal, Organizational, & Infrastructure Considerations

## 8. File for federal tax exemption

You will need to file with the Internal Revenue Service for tax-exempt status under Section 501(c)(3). Form 1023 is the multi-page form you will need to file. Within three to six months of submitting your paperwork, you ordinarily will receive a letter, granting tax-exempt status to your organization.

Organizations that achieve 501(c)(3) status are exempt from federal taxes, and contributions given to them are deductible by donors for income tax purposes. In addition, the overwhelming majority of private foundations in the U.S. award grants only to organizations that have this particular tax-exempt status.

See:

[Package 1023, Application for Recognition for Exemption Under Section 501\(c\)\(3\)](#)

[600 of the Internal Revenue Code](#)

# Legal, Organizational, & Infrastructure Considerations

## 8. File for federal tax exemption

Although you can complete Form 1023 without outside assistance, it is not advisable to do so. Success in securing both state incorporation and federal tax-exempt status usually requires the assistance of an attorney, and competent legal counsel often helps the process move along smoothly. If you have limited financial resources, you might contact a public interest legal organization that connects nonprofit organizations with volunteer business lawyers.

# Legal, Organizational, & Infrastructure Considerations

## 8. File for federal tax exemption

There is a growing network of those providers in cities all over the United States, coordinated by an organization in New York called Power of Attorney. You might also seek help from local technical assistance or management support organizations that specialize in providing guidance to nonprofit organizations.

### Resources on the Web:

[Pro Bono Partnership .org](http://ProBonoPartnership.org)

[CorporateProBono.Org](http://CorporateProBono.Org)

# Legal, Organizational, & Infrastructure Considerations

## 9. Find office space and obtain office equipment

Finding office space can be a challenge, and there are many complex challenges involved with negotiating a lease. These often include the cost of utilities, renovations and charges for building maintenance. The process often runs quite smoothly, however, if you have a board member with experience negotiating leases. As you obtain office equipment, you will need to consider whether you should rent or buy. If you buy, there will be significant up-front costs or financing costs. Regardless of whether you rent or buy, you will need to evaluate the quality of the equipment, as well as the service contract and associated cost.

# Legal, Organizational, & Infrastructure Considerations

## 10. Recruit staff and prepare a personnel manual

It is essential for your organization to have solid staff in place to carry out programs and administrative functions. While volunteers can be helpful to an organization, depending on the size of your budget, future donors may question the commitment level of your staff if you rely too heavily on volunteers. The consensus among funders is that paid staff are more reliable than unpaid volunteers.

# Legal, Organizational, & Infrastructure

## Considerations

### 10. Recruit staff and prepare a personnel manual

Finding competent staff is extremely important, and in some ways it is even more challenging than recruiting board members. Initially, your staff will be smaller than the board, and the staff is going to need to encompass all of the qualities that you seek for the board as a whole. You will want senior staff to be charismatic, articulate, well connected, and organized. They also will need to be good managers, experienced fundraisers, and have a solid understanding of the organization's goals, and effective ways in which they can be implemented.

# Legal, Organizational, & Infrastructure Considerations

## 10. Recruit staff and prepare a personnel manual

As you build up your staff, you will need to prepare a personnel manual, which outlines policies related to overtime, annual and sick leave, health insurance and retirement benefits. While this document is not critical in the initial stages of setting up a nonprofit organization, it can prove to be quite handy when your staff begins to grow past the one-or-two-person stage.

### Resources on the Web:

[Human Resources Management](#) (posted by the Management Assistance Program for Nonprofits) [Personnel Policies, Handbooks and Records](#) (posted by the Management Assistance Program for Nonprofits) [U.S. Employee Laws](#) (posted by the Management Assistance Program for Nonprofits)

# Legal, Organizational, & Infrastructure Considerations

## 11. Establish a payroll system and procure necessary insurance coverage

You will need to make payroll arrangements to compensate your full time and part time staff, as well as independent contractors. It is important to distinguish the role of independent contractors from that of part time staff. Independent contractors are hired to perform very specialized, short-term projects for the organization (i.e. accountants, lawyers, consultants), whereas part time staff are permanent or long-term employees of the organization.

# Legal, Organizational, & Infrastructure Considerations

## 11. Establish a payroll system and procure necessary insurance coverage

Funds that are earmarked for payroll tax must never be used for any other purpose. Be very careful, since committing such an error may result in substantial penalties from the Internal Revenue Service. In addition to salary, benefits are an important part of the compensation package, and your state government will insist that you have certain coverage. These ordinarily include workers' compensation and disability insurance.

### Resources on the Web:

[SalaryExpert.com Employee Benefits and Compensation](#) (Posted by The Management Assistance Program for Nonprofits)

# Legal, Organizational, & Infrastructure Considerations

## 12. Develop an overall fundraising plan

There are many different ways to maintain a viable, financially stable nonprofit organization. It is important to develop funding from a mix of individual and institutional sources, as well as earned income generated from special events, products, services and membership fees. Individuals extend their support in a variety of ways: they make contributions and pledges in response to direct mail requests, telethons, appeals on the Internet, door-to-door canvassing, and face-to-face solicitations. Institutions that provide both financial and in-kind support to nonprofits include foundations; businesses and corporations; local, state and federal governments; and religious institutions.

# Legal, Organizational, & Infrastructure Considerations

## 12. Develop an overall fundraising plan

Today, diversification of support is vital, and no organization can hope to finance its work successfully from any one source. Even if it does succeed in obtaining that one large, elusive grant, there's no guarantee the grant will be renewed each year, and the organization's future will not be secure.

Moreover, funders like to see that an organization's funding is diversified, for this shows broad-based agreement that its mission is important and worthy of support.

### Resources on the Web:

[Find out about foundation grants for your subject area or field of interest](#)  
[Find Web sites for researching prospective individual donors](#)

[Find information on government grants](#)

RESOURCE

**Free Management Library<sup>SM</sup>**

**At**

**[www.managementhelp.org](http://www.managementhelp.org)**

# Thank you,

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