

Tool #2: How to Start a Nonprofit Organization

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Overview

Starting a new nonprofit organization (NPO) addressing the problem of missing and sexually exploited children should be the result of a careful community-needs assessment that points to a demonstrated need for an organization to address service gaps related to the prevention of, and response to, missing and sexually exploited-child incidents. *Tool #1* offers guidance for assessing the need for a new organization in your community. If you have not yet completed a community-needs assessment, make sure to do so prior to beginning an NPO. For information regarding community-needs assessments see *Tool #1*. Also be sure to communicate with your local law-enforcement agency and the Association of Missing and Exploited Children's Organizations Inc. (AMECO) prior to starting an NPO addressing the problem of missing and sexually exploited children. *Tool #2* offers guidance for setting up and operating a new organization.

What is an NPO?

In General

NPOs are mission-driven and defined. Unlike for-profit enterprises, NPOs do not exist to make a profit; revenues are used to meet defined needs of the community. The mission of the NPO and the services it offers to achieve its mission are what make each NPO unique.

NPOs are owned by the community they serve and not by any individual or group of individuals. A board of directors oversees the operation of the

organization on behalf of its stakeholders to help ensure it is achieving its mission and has the resources necessary for its success. In short, an organization is not a solo entity — if you could do it alone, why bother with an organization?

Because of their public-service missions, NPOs are often granted exempt status by the Internal Revenue Service (IRS). As a result donors to the organization may receive federal-tax deductions for contributions meeting IRS guidelines.

Specific Issues

NPOs addressing the problem of missing and sexually exploited children share many attributes of other NPOs but may find they face additional considerations. This *Tool* will identify several of these considerations.

NPOs working with families of missing and sexually exploited children should consider contacting AMECO to discuss future membership in this organization. AMECO is an association of nonprofit organizations located across the United States and Canada that assist in the prevention, recovery, and reintegration of missing and sexually exploited children. AMECO members provide services to families of missing and sexually exploited children, support law enforcement and other community groups, and offer education and awareness programs to promote child protection. AMECO provides its members critical training on best practices in the field, opportunities for networking and collaboration, and technical assistance. For more information visit their website at www.amecoinc.org or call 1-877-263-2620.

Because of the nature of the problem, NPOs may work with families of missing and sexually exploited children and may hold sensitive, privileged information. That information should not be disclosed to anyone unless authorized. Consider adopting privacy policies within your NPO regarding Personally Identifiable Information (PII) such as a confidentiality agreement. Also be sure to assess the storage method for PII. For more information visit the National Institute of Standards and Technology's (NIST) Computer Security Resource Center (CSRC) website at <http://csrc.nist.gov> and from the home page respectively click on the "Special Publications (SPs)" and "sp800-122.pdf" links.

These NPOs are also responsible for providing all facts they may gain about a case to the appropriate law-enforcement agency in a prompt and timely manner. Organizations handling case information must verify all the paperwork they receive to avoid unnecessary harm to innocent people. Organizations must take extra care in treating these families with the utmost respect. Many of the families may have experienced or may be currently experiencing potentially emotional and traumatic episodes.

NPOs working with families of missing and sexually exploited children also face additional ethical considerations. NPOs involved in fundraising should always make sure to participate in legal, fair activities bringing no harm to the families they work with and support. They should not charge fees to help search for a missing child. For more information about financing NPOs see "Financing Considerations" on page 6.

Mission Statements

In General

Every NPO should have a **mission statement**. The mission statement is derived from a community-needs assessment, as discussed in *Tool #1*. It is a clear, concise statement of the reason the organization exists. The mission statement provides

guidance for the services offered by the organization. It also offers a measurement of organizational progress and success. The mission statement is a requirement of most funding sources and to qualify for IRS recognition as an exempt organization. Mission statements should be reexamined with time as the services of the NPO and needs of the community may change.

Specific Issues

NPOs addressing the problem of missing and sexually exploited children are often formed in an emotional period as a reaction to a crisis situation. Because of this NPOs may not always take the time to complete a community-needs assessment. As a result some NPOs are unable to develop mission statements that are concrete or attainable. Successful NPOs addressing the problem of missing and sexually exploited children have aligned themselves with other organizations in their own or concurrent fields, law-enforcement agencies, and other service providers. A successful NPO does not work in isolation.

The community-needs assessment provides a framework for what existing services are available to the community. The process of identifying the new NPO's niche within this larger framework and aligning itself for collaborative effort will inform the development of a mission statement. For more information about community-needs assessments see *Tool #1*.

AMECO's member NPOs have identified mission-statement categories for membership qualification including assisting law enforcement and/or searching parents in the recovery of missing children; helping missing and exploited children and their families gain access to services; and preventing children from becoming missing and exploited through prevention and education services for families, law enforcement, or other appropriate entities.

Role of the Founder

In General

One of the primary issues a new organization must face is defining the role of the "founder" or organizer. While this individual has the vision that drives the organization, he or she must be guided by a board of directors and relevant federal and state/jurisdictional laws for carrying out the organization's activities. Jill Sarah Moscovitz discusses "founder's syndrome" in her [article](#) titled "Understanding Conflict in Nonprofit Organizations."

Nonprofit organizations [may] be birthed and...nurtured by a founder or group of founders. The founder has invested time, emotional commitment and perhaps money toward the success of the organization. Founder's syndrome occurs, usually in smaller nonprofit [organizations], when a founder (or other dedicated steward of the organization) has unparalleled authority as a decision-maker.¹

For more information about leadership issues visit the National Council of Nonprofits website at www.councilofnonprofits.org. From the home page respectively click on the "Resources" and "Leadership" links.

¹Jill Sarah Moscovitz. "Understanding Conflict in Nonprofit Organizations" ACRESOLUTION. Fall/Winter 2007, page 23.

Specific Issues

In NPOs addressing the problem of missing and sexually exploited children the founder may be a family member or close friend of a missing and/or sexually exploited child. It may be difficult for such founders to delegate responsibilities when they themselves may be emotionally and financially invested in a search for their missing child or the problem in general. Founders may also involve themselves in missing and sexually exploited issues outside the purview of their organization and this could lead to a conflict of interest. They also may find difficulty passing on leadership roles to others later in the life of the NPO.

Often NPOs addressing the problem of missing and sexually exploited children are named after specific children related to the founder. When a child's name is attached to an organization the child's name, image, and story often become part of the branding of the organization. If circumstances change and family members are no longer actively involved with the NPO or — in a worst-case scenario — become estranged from the organization, it may be difficult for them to reclaim control of the child's identity. The founder must also consider the possibility of a child being recovered after an organization is founded in the child's name and the implications of this association. Effective communication between the founder and others involved in the NPO as well as having an effective board may ease some of these potential problems. For more information about NPOs founded by family members see *Tool #3*.

Governance

In General

The long-term success of the organization is largely dependent on the strength of its board of directors. While it is not unusual for initial boards of directors to consist of friends and family members of the founder, this may not be the best solution for the longevity of the NPO.

Members of NPO boards of directors have legal responsibilities to the organization and may be held accountable — at times in court — for their actions. According to BoardSource®, an NPO providing resources and consultation to other NPOs, board responsibilities are classified in three generally accepted areas.

- **Duty of Care.** A board member has the duty to exercise reasonable care when he or she makes a decision for the organization. Reasonable care is commonly described as what an “ordinarily prudent” person in a similar situation would do.
- **Duty of Loyalty.** A board member must never use information gained through his or her position for personal gain and must always act in the best interests of the organization.
- **Duty of Obedience.** A board member must be faithful to the organization's mission. He or she may not act in a way that is inconsistent with the organization's goals. The board member is trusted by the public to manage donated funds to fulfill the organization's mission.²

²“Q&As” accessed April 2, 2010, at www.boardsource.org/Knowledge.asp?ID=3.364.

NPO boards of directors are responsible for maintaining the financial health of the organization, approving an annual budget, and raising sufficient resources to achieve its mission and meet the organization's financial obligations.

Being a member of an NPO's board of directors is an important undertaking and should not be trivialized during the recruitment effort. When recruiting board members it is extremely important to explain the critical role the board will play in the development of the organization.

Specific Issues

For NPOs addressing the problem of missing and sexually exploited children it will be critical to recruit board members with specialized knowledge. Cases regarding missing and sexually exploited children are most often multidisciplinary involving law-enforcement agencies, courts, social-service organizations, media outlets, and medical agencies. Ideally the board of directors will include a balance of subject-matter experts from these agencies and the community members discussed previously. Some organizations have advisory committees made up of subject-matter experts and boards of directors made up of community leaders.

For NPOs addressing the problem of missing and sexually exploited children particular attention should be paid to the recruitment of a diverse board. In addition to community and faith-based leaders, successful businesspeople, and issue experts to help mobilize the community, NPOs addressing the problem of missing and sexually exploited children should consider board candidates involved in other youth-serving arenas, law-enforcement agencies, child-health agencies, and education agencies. Since NPOs are formed to address a specific gap in services for a community, galvanizing support around this topic requires the involvement of law-enforcement partners and the entire community. A board will need to address critical issues in the early stages of the organization, such as the development of a code of ethics for the organization as well as fundraising parameters and practices.

Conflicts of Interest

In General

NPOs may also need to address possible conflicts of interest among members. There are several potential sources of conflicts an NPO must face. Conflicts of interest may arise when

- Individuals within the organization stand to personally benefit from business decisions made by the organization
- Board members are employed by other NPOs
- Family members or social relations are employed or given contracts due to the influence of organizational insiders

Conflicts of interest may be avoided if full disclosure of the conflict is revealed and the involved individuals are recused from any decision-making related to the conflict.

Specific Issues

For NPOs addressing the problem of missing and sexually exploited children particular attention needs to be paid to the conflicts of interest potentially inherent

in the organization. Organizations founded and spearheaded by family members of a missing and/or sexually exploited child have the unique experience of surviving a traumatic event that will shape their role on the board. Those with specialized experience and subject-matter expertise are important additions to a board; however, nepotism is an issue these boards must address. Those with practical experience in other arenas should be viewed as potential board members. A diverse board may help to curtail some conflict-of-interest issues.

Within the field of NPOs addressing the problem of missing and sexually exploited children it is not uncommon for individuals to be involved in other roles such as a parent advocate; consultant; or board member, volunteer, or peer-support provider for another organization. Individuals may find it difficult to separate their work with the NPO and their work in other arenas. This could become a conflict when speaking publicly. Those involved with the NPO must distinguish when they are speaking on behalf of your organization, another entity, or themselves.

Financing Considerations

In General

While it may be possible to minimize the amount of money necessary during the organizing process, there may be some inescapable expenses and thus an initial budget should be crafted. Some budget items may be obtained through “in-kind” contributions — contributions of goods and materials — but the cash value of these contributions needs to be reflected in the budget. A possible budget could include the categories of salaries and benefits, office rental, utilities, office supplies and equipment, administrative costs, travel, and insurance/legal fees.

Items such as insurance premiums, government fees for incorporation and tax-exempt status, salaries, office supplies, dues, and subscriptions all require cash payments. You may need to pay legal fees or may obtain legal services *pro bono*, or without fee. Your local bar association may be able to refer you to a low- or no-cost source of legal help. For an online directory of bar associations visit the American Bar Association’s (ABA) website at www.abanet.org. From the home page, under the “Resources For Who You Are” heading, respectively click on the “Bar Services” and “State & Local Bar Association Directory” links. Consult with an accountant to help ensure proper handling of taxes, payroll, and other fiscal matters.

There are at least two kinds of insurance your organization should obtain. Commercial general liability insurance (CGL) is necessary for most kinds of liability exposures. Directors’ and officers’ liability insurance (D&O) is necessary to indemnify directors for their actions on behalf of the organization.

Depending on the services offered by the organization, other kinds of insurance may be necessary. When seeking insurance for an NPO, find an insurance professional with experience writing coverage for NPOs — the agent you have for your homeowner’s policy may not be the best source for these specialized policies.

Possible Budget Categories

- Salaries and benefits
- Office rental
- Utilities
- Office supplies and equipment
- Administrative costs
- Travel
- Insurance/legal fees

Specific Issues

For NPOs addressing the problem of missing and sexually exploited children fiscal supervision is especially important as many of these organizations are founded by family members impacted by a missing and/or sexually exploited child. Families may be emotionally invested in the problem and focus all of their efforts on programming; however, remembering to incorporate the NPO and file all appropriate paperwork may protect personal finances and help ensure nonprofit status. For NPOs formed by family members of missing and/or sexually exploited children maintaining a clear delineation between the organization's finances and personal, family finances is legally imperative.

NPOs addressing the problem of missing and sexually exploited children often arise out of the community's response to a tragedy and, while well-intended, the founders may not have experience developing an infrastructure to sustain an organization. For these organizations in particular, securing the services of attorneys, advisors, accountants — and possibly grant-writers — may be critical in the early stages.

Incorporation and Tax-Exempt Status

In General

New NPOs often incorporate as a nonprofit corporation and apply to the IRS for recognition as a tax-exempt organization. Often organizations apply for tax-exempt status called 501(c)(3) status. For information about the process of applying to the IRS for tax-exempt status visit the IRS website at www.irs.gov. From the home page click on the "Charities & Non-Profits" link. Information about incorporation for each state/jurisdiction is usually found on the website of that state/jurisdiction's Secretary of State. For information specific to 501(c)(3) status visit www.StayExempt.irs.gov. An Internet search may quickly lead you to the appropriate information for your state/jurisdiction; however, guidance from your professional legal counsel and an accountant may be your best option.

Specific Issues

For NPOs addressing the problem of missing and sexually exploited children, acquiring exempt status is critical. Only organizations with this status may receive tax-exempt donations. According to the AMECO website, in order to be eligible to apply for membership, an NPO must be operating for two years with this status before being considered.³

Staffing and Supporting the NPO

Staffing the NPO

In General

Whether you employ paid staff members or rely on dedicated volunteers, the organization will need to recruit, train, and supervise their personnel. Most new

³"Membership Qualifications" accessed July 30, 2010, at www.amecoinc.org/index.php?option=com_content&view=article&id=58&Itemid=77.

NPOs primarily rely on volunteers to administer and deliver services. *Tool #4* will discuss the specific services that may be offered by an NPO addressing the problem of missing and sexually exploited children.

Recruiting When recruiting employees and volunteers NPOs should set up a screening process to help eliminate potential problems. Screening is much more than completing criminal-history record checks on prospective staff members and volunteers. Screening includes

- Accepting applications based on a position description which identifies the skills and knowledge required for the position and whether the position will provide access to families and children. NPOs need to establish screening criteria for each position.
- Interviewing prospective candidates for positions in the organization. Interviews offer NPOs the opportunity to assess applicants against the organization's needs.
- Completing reference checks to determine the applicant's ability to successfully fulfill the requirements of the position, support the organization's service recipients and other personnel, and safeguard organizational assets.
- Checking records such as credit records for staff members who handle organizational funds, driving records for staff members whose duties may include driving, and criminal-history records. Organizations need to establish their criteria before conducting a record check. The criteria must be evenly applied as they may be legally challenged by unsuccessful applicants.

The use of many record checks for employment is governed by the federal Fair Credit Reporting Act. For more information about this act, go to the Federal Trade Commission's Bureau of Consumer Protection website at www.ftc.gov/bcp. From the home page respectively click on the "Consumer Information," "Credit & Loans," and "Your Rights: Credit Reporting" links. From this page click on the "Fair Credit Reporting Act" link. Many states have their own laws that apply to screening individuals. All screening procedures should be reviewed by an attorney familiar with the laws in your jurisdiction.

Criminal-history records may be checked through each state/jurisdiction or through a private vendor. Communicate with your local law-enforcement agency for more information about obtaining fingerprints and official records from the state/jurisdiction as well as access to federal criminal-history checks. To view a list of frequently asked questions regarding criminal-history checks visit the Non-profit Risk Management Center's website at www.nonprofitrisk.org. From the home page respectively click on the "Advice" and "FAQs" link. From the list of resources, choose the "Screening and Background Checking" link. NPOs should also check sex-offender registries when hiring a new staff member or accepting a new volunteer. For a list of state/jurisdictional sex-offender registries visit the Dru Sjodin National Sex Offender Public Website at www.nsopw.gov.

Training Training helps ensure the organization's personnel understand their roles in helping the organization fulfill its mission. All employees should receive an organizational orientation and a policy handbook describing general expectations applicable to all as well as appropriate disciplinary actions or consequences for failure to follow procedures. In addition some positions may require specific

training. Training may be formal or on-the-job. Organizations should also consider in-service training opportunities after completing the initial training.

Supervision There are many reasons for ensuring staff members and volunteers are adequately supervised. Active supervision benefits the organization by providing feedback about the quality and consistency of the services delivered. Active supervision increases the likelihood of identifying challenges and opportunities in order for the organization to be proactive in addressing potential concerns. Supervision needs to be consistent and fair and needs to recognize achievements as well as areas for improvement. Supervision should include informal feedback as well as regular formal performance reviews. Problems left unresolved may become major crises; with proper supervision this may be avoided.

Specific Issues

Recruiting NPOs addressing the problem of missing and sexually exploited children must take extra caution when hiring staff members and accepting volunteers. There are additional challenges to these organizations due to their potential direct involvement with children. These NPOs should strongly consider completing a criminal-history check, both state and federal; a check of sex-offender registries; and reference checks. The protection of children should be their first priority. Trends from case examination at the National Center for Missing & Exploited Children® (NCMEC) show that those who seek to harm children most often have legitimate access to children. NPOs must complete background checks with all due diligence.

Training Many individuals who seek to volunteer or apply for positions with an NPO addressing the problem of missing and sexually exploited children have a strong commitment to the protection of children. The ideal candidate will possess both passion for the issue and a skill set that meets the requirement of the job. Passion alone cannot sustain an organizational staff. Training is vital to remain current and aware of the diverse needs of communities, families, and child victims as well as trends in the field. For those working directly with families and children, training on secondary trauma, compassion fatigue, and related issues help keep an organization mentally healthy.

Supervision Many people seeking to volunteer or work for an NPO addressing the problem of missing and sexually exploited children care about children and mean them no harm. Consideration must be paid to the small percentage of volunteers and employees who may see the NPO as an opportunity to gain access to children for the purpose of sexually exploiting them. NPOs addressing the problem of missing and sexually exploited children should make sure

- Volunteers and employees are never alone with children
- Parents/guardians have access to employees, volunteers, and their own children
- Parents/guardians have input regarding their children's activities

Supervision for staff members and volunteers working directly with families and child victims helps ensure a proper system of checks and balances is being

followed. A more solid foundation from which to help families in crisis will be built if staff members, volunteers, and supervisors coordinate. Supervision also helps to circumvent burnout, compassion fatigue, and secondary trauma while creating a forum for staff members and volunteers to debrief.

The Case for Support

In General

Before the organization seeks support, it should develop a written justification for why the organization deserves support. Consider asking the questions noted below to help form a justification.

- Why is the organization needed?
- What services does it offer?
- Who receives the services?
- How is the organization managed?
- What is the impact of the organization's services?
- How are the services evaluated?

The case for support is for internal use, but serves to guide the information given to potential donors or funders.

Specific Issues

One pitfall for NPOs addressing missing and sexually exploited children is they sometimes generalize the services offered by stating a justification such as "We will protect children" or "We will help families." It is difficult to secure funding unless an organization is able to evaluate and measure the impact of specific services provided.

Funding Issues

In General

To be ethical, philanthropic fundraising must be mission-led, institutionally based, volunteer driven, and professionally supported in an environment free of improper motive, unreasonable reward, or personal inurement.⁴

Every NPO participates in some kind of fundraising or operates at the expense of the founders. Exempt organizations may apply for grants from a government agency, private foundation, or corporation; participate in cause-related marketing; seek individual donations; and/or charge fees for their services. Most NPOs support their services through a combination of these fundraising techniques. Ensure the proposed fundraising activity is legal in the jurisdictions in which it will be employed. Your organization's reputation will be associated with the kind of fundraising in which it engages. Fundraising methods should serve not only to raise funds for the organization but also to educate the potential supporters about the importance of the organization's mission. For more information about grants and

⁴"Position Paper: percentage-based compensation" accessed April 2, 2010, at www.afpnet.org/Ethics/EthicsArticleDetail.cfm?itemnumber=734.

funding sources, visit the Foundation Center website at www.foundationcenter.org. For more information about fundraising ethics for nonprofit organizations, visit the Association of Fundraising Professionals website at www.afpnet.org.

Most states require NPOs to register with a state agency before they are able to legally solicit funds within that state. For more information about specific requirements visit the Multi-State Filer Project at www.multistatefiling.org. For specific information about Internet fundraising visit the National Association of State Charity Officials at www.nasconet.org. From the home page click on the "Charleston Principles" link.

Specific Issues

NPOs addressing the problem of missing or sexually exploited children should be prepared to offer justification for all fundraising activities to prospective service providers or supporters. When searching for funding options there are many ethical standards to consider. For NPOs assisting families with the search for a missing child it is considered unethical to charge these families for search assistance. NPOs may also find they are approached by companies offering products that may be attractive to the families of missing or sexually exploited children. Charging for such products may also be considered unethical.

Summary

This *Tool* has offered some of the considerations to address when organizing a new NPO. Many of these considerations are generic to all kinds of NPOs while others are specific to organizations working with missing and sexually exploited children. The next several *Tools* review issues specific to NPOs offering services related to missing and sexually exploited children.

Useful Resources

The resources noted below may be useful as you seek information about forming an NPO addressing the problem of missing and sexually exploited children in your community/region.

Association of Fundraising Professionals (AFP)

1-800-666-3863

www.afpnet.org

Association of Missing and Exploited Children's Organizations Inc. (AMECO)

1-877-263-2620

www.amecoinc.org

BoardSource®

1-877-89BOARD (26273)

www.boardsource.org

Council of Nonprofits

1-800-201-0779

www.councilofnonprofits.org

Dru Sjodin National Sex Offender Public Website

www.nsopw.gov

Foundation Center

1-800-424-9836

www.foundationcenter.org

Internal Revenue Service (IRS)

1-877-829-5500

www.irs.gov

www.StayExempt.irs.gov

Multi-State Filer Project

www.multistatefiling.org

National Association of State Charity Officials (NASCO)

www.nasconet.org

National Institute of Standards and Technology (NIST)

Computer Security Resource Center (CSRC)

301-975-8443

<http://csrc.nist.gov>

Nonprofit Risk Management Center

202-785-3891

www.nonprofitrisk.org

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