

How to Start an NGO

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Starting an NGO can be a very time-consuming process. It requires a strong vision and dedication from an individual or group that share a common concern about a community. If initiated correctly in an organized and strategic way, the services implemented to benefit the community can be very helpful and resourceful.¹

The following presents ten steps, in general chronological order, that are useful in the formation of an NGO. This paper acts as a broad “how to” guideline and these issues may vary depending on each NGO. It is important to realize that these situations also vary from country to country, as each one has its own specific requirements and recommendations.

1. Establish Purpose/Vision/Goals

The first essential step in starting an NGO is to determine the purpose of the organization. Do so with a clear and concise written statement that describes the charitable mission of the organization. The statement must be broad enough to reflect the values of the NGO and why it exists. It is important to remember who the target community of the organization is and why it is important to reach out to this community.²

It is also necessary to envision what the organization will become and what the long term goals and objectives are. This should be done through short-term planning (an annual plan) as well as long-term planning (a strategic plan).³

2. Establish an Initial Board of Directors

When setting up an NGO, the founder(s) must recruit the initial board of directors. It is helpful to start with a small group of committed individuals because the first board is the foundation of the NGO. The members must have strong legal, financial, and technological skills and should know that they are expected to serve on the basis of the public’s best interest.⁴

People who clearly understand the mission and goals of the organization and who have new and progressive ideas to contribute are essential. Most importantly, the initial board should be able to work as a team in order to help the organization get started and gain acceptance from the community.⁵ The size and structure of the board, as well as the people who make it up, may change based on the size and needs of the organization once the NGO becomes officially established.⁶

¹ Srinivas, Hari. *Starting an NGO* from “The NGO Café: Kickstarting an NGO.” Retrieved on June 24, 2008 from the Global Development Research Center <<http://www.gdrc.org/ngo/start-ngo/index.html>>

² BoardSource: Building Effective Nonprofit Boards. (2008). *Starting a Nonprofit*. Retrieved June 24, 2008 from <<http://www.boardsource.org>>

³ Hummel, Joan M. (1996). *Starting and Running a Nonprofit Organization*. Minneapolis: University of Minnesota Press.

⁴ Wolf, Thomas. (1999). *Managing a Nonprofit Organization in the Twenty-First Century*. New York: Simon & Schuster Inc.

⁵ BoardSource: Building Effective Nonprofit Boards. (2008).

⁶ Hummel, Joan M. (1996).

3. Seek Legal Expertise

Because there are many legal matters that an NGO must deal with in first starting up, it is sometimes helpful to seek a lawyer. A lawyer can help with

- Registering the NGO
- Filing articles of incorporation⁷
- Filing reports
- Tax issues
- Securing licenses.

Even though many of these matters may be simple, a lawyer who specializes in this area is timesaving and reassuring. If money is an issue, it may be possible to provide the NGO with inexpensive legal services through a legal assistance program. Checking with the board members to see if they have any connections or contacts may be useful. Having an attorney with such expertise on the board is another option.⁸

4. Chose a Name

Before registering an NGO, it is important to choose a name. It is essential to research local government agencies and state offices to make sure that the proposed name is not already being used. This also applies to the logo if the NGO is going to have one.⁹

5. Write Articles of Incorporation

The articles of incorporation should provide a legal description of the NGO assigning power to the board. Once drafted, they should be submitted to the board for final approval before registration.¹⁰ The information that should be included in the articles varies between local state governments and also from country to country. Depending on what country the NGO is being formed in, it is important to check with local and federal governments to see what kind of forms need to be filled out and what should be included. The following are general examples of what is often expected:

- Name of the NGO
- Purpose/Mission
- A statement declaring the NGO is nonprofit
- Location of the NGO
- Number and names of the board members
- Extent of personal liability
- Whether or not the NGO has capital stock (usually it will not)
- How long the NGO is expected to exist (this may be declared as everlasting).¹¹

⁷ Fritz, Joanne. (2008). *How to Incorporate as a Nonprofit: A Check List* from “About.com: Nonprofit Charitable Orgs.” Retrieved June 24, 2008 from
<<http://nonprofit.about.com/od/nonprofitbasics/ht/startingsteps.htm?nl=1>>

⁸ Hummel, Joan M. (1996).

⁹ Srinivas, Hari. *Starting an NGO*.

¹⁰ Fritz, Joanne. (2008).

¹¹ Hummel, Joan M. (1996).

6. Draft Bylaws

While the articles of incorporation prove the accountability of the organization to the external world, the bylaws represent the responsibilities of the NGO to itself.¹² The bylaws of an NGO specify how it will run. They act as a rule book determining structure, power, and organization. The bylaws are self-imposed by the NGO and therefore, should conform to the needs of the specific organization.

The bylaws help to resolve and minimize disputes and should be available to all members of an NGO for reference.¹³ Though it varies depending on the individual needs of an NGO, some general information included in the bylaws may be:

- Purpose/Mission
- Registered Office of the NGO
- Members and qualifications and length of memberships
- Board size, responsibilities, structure
- Structure of board meetings
- Committee Structure
- Officer Duties.¹⁴

If the NGO decides to incorporate, some of what would usually be included in the bylaws is outlined in the articles and it is unnecessary to duplicate these rules in the bylaws. Therefore, it is essential to have both the articles of incorporation and the bylaws drafted before the NGO officially registers. The bylaws, like the articles, must also be sent to the board for final approval.¹⁵

7. Register the Organization

After a name is chosen and the bylaws and articles are written, it is necessary to register or incorporate the organization within its local government. In most countries, there are specific people in governmental departments that work in registering an NGO and distributing the compulsory forms in which to do so. The documents to be submitted vary between countries, but in most cases information about the board members, mission statement, and staff members is required and the articles and/or bylaws are essential.¹⁶

8. Hold an Initial Board of Directors Meeting

Once the NGO is legally incorporated (through an issued charter in most cases) an initial board of directors meeting should be held. The board members should officially adopt the bylaws in the first meeting because they should explain how the board functions. (In some countries the bylaws will already be established at this point by the incorporators depending on the governmental requirements.) The first meeting is important in establishing officers, committees, and discussing preliminary projects.¹⁷

¹² Olenick, Arnold J. & Philip R. Olenick. (1991). *A Nonprofit Organization Operating Manual: Planning for Survival and Growth*. New York: The Foundation Center.

¹³ Olenick, Arnold J. & Philip R. Olenick. (1991).

¹⁴ Hummel, Joan M. (1996).

¹⁵ Hummel, Joan M. (1996).

¹⁶ Srinivas, Hari. *Starting an NGO*.

¹⁷ Hummel, Joan M. (1996).

9. Set Up An Accounting System

All NGOs need a system for recording where money comes from and how it is used. Because NGOs finances tend to be closely scrutinized, it is important to put an effective accounting system into place to deal with the nuances of nonprofit bookkeeping and reporting.¹⁸ Seeking the help of an accountant who can help set up a bookkeeping system and explain how to use it is highly recommended. Board members or business schools may be helpful in finding a volunteer accountant or an inexpensive one specializing in helping nonprofits get started. Often times NGOs have an accountant on the board who is familiar with these systems, which is also a useful option.¹⁹

It is important to decide whether the bookkeeping system should be cash or accrual. Cash based accounting is a system where:

- Revenue is recorded when added to a bank account.
- Expenses are recorded when money is withdrawn from the bank.

This system is very straightforward. However, it only tells the NGO how much money is in a bank account and nothing more. It does not reveal how much money might be owed to the organization or how much money the NGO owes.²⁰

Accrual based accounting records:

- Revenue that is earned (may be before or after it is received)
- Expenses when incurred (may be before or after payment).

In general, it seems that the information provided through accrual based accounting is more useful to an organization than cash based accounting because it paints a broader financial picture. It allows an NGO to see not just its immediate payments and deposits, but also what kind of money they owe or may be receiving in the future. This allows an organization to be more aware of its financial status.²¹

Lastly, once the NGO decides what the bookkeeping system should be, it is essential that all financial transactions are documented and recorded into financial journals by the bookkeeper. Transactions should be numbered and put in chronological order and thank you notes are essential for every donation received. Thank you notes should be copied and added to the journals, as well as check stubs and deposit receipts. The bookkeeper must be well organized in order to prevent the misuse of funds and ensure efficient spending for programs.²²

10. Come Up With a Fundraising Plan

Money required for an NGO to operate primarily goes into their educational and social programs, the overall operation of the NGO (administration, utilities), and projects (surveys, giving programs). Both the board of directors and the executive director should be active participants in fundraising and it is important that writing grants, seeking contributions, and other fundraising skills are acquired skills early in the NGOs development.²³

In order to come up with the best fundraising strategy, it is important to identify what the needs are of the NGO and what sources can best fulfill these needs. Professionalism, communication, and accountability are crucial for building trust with a potential donor. Also,

¹⁸ Wolf, Thomas. (1999).

¹⁹ Hummel, Joan. (1996).

²⁰ Wolf, Thomas. (1999).

²¹ Hummel, Joan. (1996).

²² Hummel, Joan. (1996).

²³ Hummel, Joan. (1996).

understanding why a person or group is supporting a program, activity, or the NGO as whole is useful in soliciting them to contribute for a second time or even continuously.²⁴ The following presents some examples of ways in which an NGO may choose to pursue funding:

- *Foundations*. Generally, they all have readily available guidelines that can be found through researching that explain what kind of NGOs they fund and how to apply for grants. There tend to be three different types of foundations.
 - Most foundations fall under the category of *independent foundations* where most of the funding comes from individual, family, or group endowments.
 - *Community Foundations* receive money from local sources and distribute it to local NGOs.
 - *Corporate Foundations* are set up legally through business corporations and is governed by trustees. They tend to support communities in which the corporation operates.²⁵
- *Corporations and businesses* that have staff working in community relations or public relations departments. These departments fund many charities in communities where the company operates and usually provides grants to NGOs regardless of location.
- *Religious groups* tend to fund organizations regardless of location.
- *Individuals* may provide long term funding or short term funding to an NGO.²⁶

Additional Steps

Once the previous ten steps have been completed, the foundation of an NGO has essentially been established. There are only a few miscellaneous tasks that must be completed before the NGO can fully operate. Some of these include:

- Hiring staff and volunteers
- Reaching out and becoming known in the community
- Seeking office supplies (furniture, computers, machinery)
- Insuring the NGO
- Holding orientation.²⁷

After this point program activities can be discussed and implemented. It may take about a year before these prove to be successful. Finally, at the end of the first year, it is important to review the mission, goals, and vision to make sure the NGO has stayed on track. Critiquing programs and activities to see what can stay or be changed is also beneficial.²⁸

²⁴ Srinivas, Hari. *Starting an NGO*.

²⁵ Hummel, Joan. (1996).

²⁶ Hummel, Joan. (1996).

²⁷ Srinivas, Hari. *Starting an NGO*.

²⁸ Hummel, Joan. (1996).