

# How Much Money Does It Cost To Start a Nonprofit?

# The Ultimate Budget

Figure Out Your Starting Expenses,  
Down to the Nickel, Tailored Exactly for YOU



(No excuses.)  
(Go start.)



**nonprofit hub**

# Introduction

Ask any nonprofit about their biggest challenges. You'll hear this in no time:

*No money, no budget, no time and no staff.*

In other words, not enough resources. If you're starting a nonprofit, you'll be reciting this mantra soon enough.

The good news:

You don't have to break the bank to start a nonprofit.

If you know what you're doing (*and depending on your nonprofit's needs*), you CAN bootstrap a nonprofit with very little money. We'll show you how.

Ready? Here's what we'll cover:

## Contents:

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<i>Find 100% of your starting expenses, exactly.</i>	
<b>Break it down</b>	<b>4</b>
<i>Detailed breakdowns of each expense on the expense chart, used to calculate YOUR costs (and what you can skimp on).</i>	
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# The Expense Chart



How much money do you need to start?

EXPENSE	TYPICAL COST*	YOUR EXACT COST
Incorporation	\$25–100 <i>(learn more: pg. 4)</i>	
Reserve Corporate Name and Register a Trademark	\$25–450 <i>(learn more: pg. 6)</i>	
Federal Tax ID # (EIN)	Free <i>(learn more: pg. 8)</i>	Free
501(c)(3) Status	\$400 or \$850 <i>(learn more: pg. 9)</i>	
Basic Insurance Coverage	\$800–\$1,500 <i>(learn more: pg. 11)</i>	
Website	\$25–\$3,500 <i>(learn more: pg. 14)</i>	
Other Costs (rent, etc.)	\$150–\$2,000 <i>(learn more: pg. 16)</i>	
<b>TOTAL*</b>	<b>\$1,425–\$8,400</b>	<b>\$</b>

Now... *go start something.*

\* Remember, the TYPICAL cost only matters if you need all of these things. Visit the “Break it down” section. You might only need 50 bucks to start.

# Break It Down



## Incorporation

Who needs it	Nonprofits with a long-term mission, high potential liability or working on a larger financial and organizational scale.
Priority: High	Difficulty: Moderate
Typical costs	\$25–100 ( <i>filing articles of incorporation</i> )

### Why get it:

Incorporated nonprofits are granted limited liability: If you run into financial or legal trouble, lenders can't go after your personal assets. This protection shields your board members and staff as well. This protection is often important for attracting board members and staff. In addition, you'll qualify for more types of grants and have more credibility legally and with many donors.

Like all registered corporations, you'll first have to file Articles of Incorporation with your Secretary of State, renew annually and maintain a formal corporate structure, all of which take time and effort.

### Find your exact costs:

Online, use a Google search for "USA State Filings for Nonprofits" to find the official [usa.gov](http://usa.gov) portal that links to your state's Secretary of State page (*often called the "Division of Corporations"*).

Nonprofit corporation filing information is almost always on the same page as for-profit corporation information, so don't be thrown off by that.

The cost to file nonprofit Articles of Incorporation varies from state to state, but is almost always less than \$100.

In addition, some states require a notice of incorporation, usually running the notice in your county's newspaper. This will add around \$50 to your costs.

# HOW TO CUT YOUR COSTS

A pair of white scissors with black outlines is positioned as if cutting through the word 'COSTS'. The scissors are open, and the blades are positioned to cut through the letters 'S' and 'T'. The word 'COSTS' is written in a bold, white, sans-serif font. The letters 'C', 'O', and 'S' are on the left, and 'T' and 'S' are on the right. The scissors are positioned to the right of the word, with the blades cutting through the 'S' and 'T'.

1. While most nonprofits seek incorporation, know that **low-risk, short term nonprofits don't need to incorporate.** Don't assume incorporation is necessary if it won't benefit your not-for-profit undertaking.
2. Secondly, nonprofits with a small amount of risk could simply pursue **basic limited liability insurance** to cover their staff as an alternative to the ongoing hassle of incorporation. (See "Insurance Coverage", pg. 11)
3. Third, know that **you don't need to incorporate to obtain 501(c)(3) status** from the IRS, though the formal structure of incorporation will definitely help when completing the formal process of applying for 501(c)(3) status.
4. **Legal fees will raise your expenses by hundreds of dollars.** With web resources and some patience, determined bootstrappers don't necessarily need to incur extra fees by hiring a lawyer to file your articles of incorporation. But if you do, it will cost more.

## Reserve corporate name and register a trademark



Who needs it	Nonprofits who are incorporating and wish to protect their brand, either in-state or nationally.
Priority: High	Difficulty: Low ( <i>register name</i> ) High ( <i>trademark</i> )
Typical costs	\$25–450 total Reserve your corporate name (\$15–75) Register your trademark (\$10–\$375) ( <i>without legal fees</i> )

### Why get it:

Registering your name with your Secretary of State protects that name from being used by another, similar business in your state, and protects you legally.

A trademark is an owned property registered either federally or at a state level, allowing you exclusive rights to the trademark. A trademark costs more and the application process is more intense, but it has greater legal strength.

Note: Even if you don't register a trademark, you should search a database of registered corporate names and trademarks to ensure you aren't encroaching. In most cases, "first use" protects your organization unless the organization challenging you had already reserved their corporate name when you began operations.

### Find your exact costs:

Registering your business name is done through the Secretary of State of your state. It's typically a minimal cost, less than \$50. Search your state name and "Reservation of Corporate Name" to learn more.

To register a state-level trademark, search online for your state name and "register a state trademark." State trademarks are usually less than \$100 and are registered through your Secretary of State.

To register a federal trademark, search for the United States Patent and Trademark Office ([uspto.gov](http://uspto.gov)) trademarks section. A federal trademark can cost over \$350.

## Reserve corporate name and register a trademark



1. Whatever you decide, you'll still need to research your name to avoid future legal trouble. Select a name that isn't in use to avoid encroachment with other organizations. It'd be unfortunate to have to completely rebrand your organization and name once you've gotten established in your market.
2. That said, if you search and there are no existing name conflicts, you can skip getting a trademark or reserved name entirely if you are operating at a small scale where you won't be competing with (or perceived as a competitive threat) by any fellow nonprofit organizations at any point in the future.
3. To cut costs, you might just reserve a corporate name with your state (since it's cheaper than trademarking) and consider trademarking your nonprofit if you expand operations in the future. Most nonprofits don't have the scale to require a trademark, at least at first.

## Federal tax ID # (EIN)

Who needs it	Nonprofits who are pursuing incorporation or 501(c)(3) status, or planning to pay employees.
Priority: Moderate	Difficulty: Low
Typical costs	Free!

### Why get it:

An EIN (Employer Identification Number) is required to apply for 501(c)(3) status or if you're planning on paying employees. Plus, it is helpful for all filing aspects of incorporation, so that you won't have to use your Social Security # when filing forms and doing accounting.

### How to register:

Search for "Apply for an Employer Identification Number (EIN) Online" to find information on applying for your EIN. Don't trust sites that ask you to pay for an EIN. It's free.

## HOW TO CUT YOUR

# COSTS



1. Seriously? This is already free.
2. OK, some life advice: Pay your taxes and don't make the IRS angry. They can make up fees and make you pay them.

## 501(c)(3) tax-exempt status

# 501(c)(3)

Who needs it	Nonprofits with a long-term mission, high potential liability or working on a larger financial and organizational scale.
Priority: High	Difficulty: Moderate
Typical costs	\$25–100 ( <i>filing articles of incorporation</i> )

### Why get it:

Incorporated nonprofits are granted limited liability: If you run into financial or legal trouble, lenders can't go after your personal assets. This protection shields your board members and staff as well. This protection is often important for attracting board members and staff. In addition, you'll qualify for more types of grants and have more credibility legally and with many donors.

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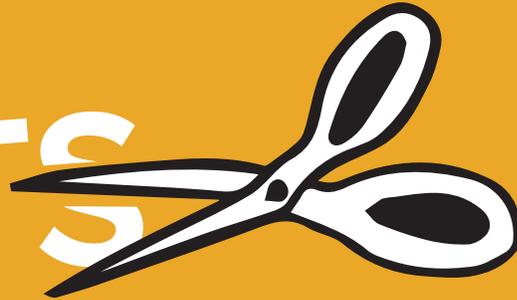
The cost to file nonprofit Articles of Incorporation varies from state to state, but is almost always less than \$100.

In addition, some states require a notice of incorporation, usually running the notice in your county's newspaper. This will add around \$50 to your costs.

## 501(c)(3) Tax-Exempt Status

HOW TO CUT YOUR

**COSTS**



- 1. You don't need to incorporate** to be eligible for 501(c)(3) status (but you probably should: See “Incorporation,” pg. 4), so that's one way to save.
- 2. Hiring a lawyer** to file for you adds thousands of dollars to your costs. The time investment and difficulty of filing for 501(c)(3) is immense, so carefully weigh whether your money or your time is more valuable.
- 3. Filing with an online service** costs less than a lawyer (around \$500–\$1000), but requires a greater time commitment from you. Search “file form 1023 online” to start researching your options. Make sure you understand what your fees do and don't cover.
- 4. You can pay your filing fee with money you've received as donations**, but there's risk involved. You have 27 months from beginning your organization to file for tax-exempt status—and exemption applies retroactively from the date of your organization's formal existence (i.e., incorporation). This is risky—messing with the IRS can land you in big trouble. If you fail to be approved within those 27 months, you'll be responsible for correcting your past accounting.

*Please consult a qualified lawyer to make sure you understand your risks:  
The intricacies of tax-exemption are beyond the scope of this guide.*

## Basic insurance coverage

Who needs it	Almost all nonprofits need some kind of insurance or another, but the exact type and costs vary wildly according to your structure. Our estimation of typical costs only includes liability: you'll have to calculate your costs if you purchase other types of insurance.
Finding your exact costs	Search for insurance brokers in your area, or talk with your state. Insurance are very specific rates to your organization, and depend on your risk tolerance.
Typical costs	\$800–1,500 ( <i>General Liability—any other insurance costs not accounted for</i> )

## General Liability Insurance

**Recommended for:** All nonprofits.

### What is it?

Sometimes known as “slip-and-fall” insurance, general liability insurance protects you if someone is injured on your property. This is the most basic kind of nonprofit insurance: Anyone who has any contact with the public should acquire general liability insurance.

## Directors and Officers Insurance (D&O)

**Recommended for:** All nonprofits who can afford it, especially if you have high net worth board members.

### What is it?

This insurance covers your directors and officers in the event of a suit against the nonprofit director and officers (for misconduct or mismanagement). It covers legal fees and damages.

## Additional insurance coverage

### Property Insurance

**Recommended for:** Nonprofits with property.

**What is it?**

This insurance compensates you in the event of theft, fire or other property or equipment damages (the specifics depend on your policy). Good for insuring your belongings.

### Auto Liability Insurance

**Recommended for:** Nonprofits with vehicles or that require employees to drive for business purposes.

**What is it?**

This insurance covers you in case of your employee causing damage or injury while driving on nonprofit-related business. Non-owned auto liability insurance covers your nonprofit from damages incurred by employees using their personal vehicle for business purposes.

### Worker's Compensation Insurance

**Recommended for:** Nonprofits with employees.

**What is it?**

If you have employees, most states require you to get this insurance. Worker's comp provides for employees who are sick or injured due to employment-related circumstances, and protects you from related liability.



## Additional insurance coverage

### Health Insurance

Recommended for: Nonprofits with employees.

What is it?

A benefit to attract full-time employees: You cover part of the healthcare costs and employees pay premiums.



## Your website

Who needs it	Every nonprofit organization needs a website. And if the nonprofit is going to be around longer than a few weeks, money will need to be spent on it.
Priority: High	Difficulty: Moderate
Typical costs	\$25–\$3,500

### Why get it:

Today, every nonprofit needs a website. No exceptions. A website is the ad that makes a case for your organization when you aren't at home. It connects you with thousands of folks who want to make a difference and would never be able to otherwise.

A good website pays for itself, but too many of us get bad websites because we don't see the value and don't want to spend money.

Successful organizations spend money to make themselves better. It's not necessary to start with a great website, but if you're serious about making an impact, it is necessary to get to one sooner than later.

### Find your exact costs:

It costs about \$10–\$25 to register your website's domain name. Search "register a domain name" to find a list of common services.

A basic website costs about \$10 a month to host (Note: Hosting is often paid in bulk, meaning about \$100 per year upfront). Search "best web hosting services" to research your exact costs.

Realistically, you'll need to pay an experienced web developer to create a website that is equipped with a CMS (content management system: a website that allows non-programmers to easily update it). Basic website development costs start at \$2,000 and go up with additional features.

### HOW TO CUT YOUR

# COSTS



- 1. Don't cut corners on your website.** Like marketing and fundraising, a good website brings in more money than it costs, so cutting costs backfires long term.
- 2. Start basic.** You can start with a basic, low-cost template website and upgrade later, especially if you don't already have reliable revenue. But be wary: It's often costly and difficult to upgrade an existing website, so you'll end up paying more down the road.
- 3. Get a great developer.** Many amazing nonprofits have spent countless dollars and hours on a developer with minimal experience (perhaps your nephew) and had to completely redo the work within a year. Invest in a great developer.
- 4. Apply for Google for Nonprofits.** A nonprofit can receive free money for Google AdWords, as well as other premium benefits. You'll need to match the qualifications for Google Grants (including confirmed 501(c)(3) status).
- 5. Apply for a website grant.** While it's highly unlikely a grant will cover 100% of your website's setup fees and expenses, if you're committed to taking your nonprofit digital, there are online grants available to help you lower the costs of creating an excellent website.

*(For more website grant information, see "Resources for You" pg.#20.)*

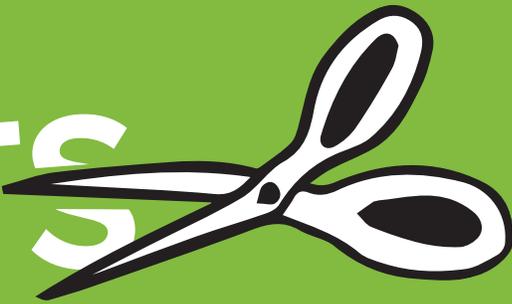
## Other costs

Some costs don't fall into neat categories. The table below outlines typical expenses you might not think of that come from starting your organization. These are the things many nonprofits forget, but end up dealing with.

Typical costs      \$25–\$3,500

EXPENSE	CALCULATE YOUR COSTS
<b>EMPLOYEES</b>	
Salaries per Month	
Federal/State Unemployment Taxes	
Social Security/Medicare Taxes (employer portion)	
<b>MARKETING</b>	
Business Cards	
<b>OFFICE</b>	
Rent	
Utilities (Wi-Fi, telephone, electric)	
Computers	
Furniture	
Postage	
Letterhead	
Other Office Supplies	
<b>TOTAL</b>	

HOW TO CUT YOUR  
**COSTS**

A pair of black and white scissors is positioned to the right of the word 'COSTS'. The blades of the scissors are open and positioned as if they have just cut through the word, with the top blade resting on the 'S' and the bottom blade resting on the 'C'. The word 'COSTS' is written in a bold, white, sans-serif font.

1. The two biggest expenses that you can minimize: **hiring employees and renting office space**. These two things will increase your overhead exponentially, so think long and hard before committing to either.
2. Even if you have employees and office space, you can often save here. Get cheaper, less desirable office space. Buy less glamorous furniture. Reduce overhead here and spend extra on fundraising and marketing.

# Don't Be Cheap

There's a big difference between being a cheap nonprofit and a nonprofit that prizes frugality:

**A cheap nonprofit** cares most about *minimizing costs*.

**A frugal nonprofit** cares most about *maximizing value*.

Most of being a truly successful nonprofit comes from understanding when to invest in yourself and when to save money.

Here are some tips to avoid being cheap, and instead, focus on maximizing value:

## The frugal nonprofit always...

1. Spends extravagantly on the things that make the organization better—and cuts costs everywhere else.
2. Invests in staff members: pays for their minor expenses, funds education and training, and gives them the resources they need to succeed.
3. Resists cutting the budget evenly. Fundraising, marketing and website fundraising all create wealth for the organization. The frugal nonprofit understands cutting some departments' budgets will make the money problem worse.
4. Thinks long-term. Plans for FUTURE successes.



## What if I don't have enough money?

First, great! This means you've estimated your programs and fundraising revenue and realize there's a gap. This puts you ahead of 90% of nonprofits who just launch without being realistic and end up discouraged or bankrupt within months. This is a blessing in disguise!

Here are your options:

1. Spend less. But be smart about it.
2. Set a personal savings goal.
3. Fundraise. You're going to have to learn eventually!

## Do I really need [item X]?...

Need it? Probably not. Would benefit from it? Maybe.

Review the Break Down page of each individual item and check out the "Who Needs It?" section to see whether an item is necessary for the type of organization you're hoping to create.

## How do I figure out my initial income?

Creating an initial budget requires estimating how much revenue your nonprofit will be generating. This guide doesn't cover how you can figure out your initial income (just the immediate expenses). However, you can figure it out by identifying your revenue sources (grants, events, donations) and estimating the numbers for each. In general, we underestimate our expenses and overestimate our income. To counter this, reduce your estimated income appropriately.

# Resources for You

A few free resources (and free money):

## Google for Nonprofits

The Google for Nonprofits program qualifies you for a gamut of benefits, including free Google Adwords advertising, which can gain you valuable search traffic.

Apply here: [google.com/nonprofits](https://google.com/nonprofits)

## Nonprofit website grants

The Digital Community Foundation offers grants for new and redesigned nonprofit websites. While this grant won't cover all of your nonprofit website's costs, it will save you hundreds of dollars on a cutting-edge website designed specifically for nonprofits.

Save 20%: [digitalcommunityfoundation.org](https://digitalcommunityfoundation.org)

## The best of the nonprofit web in your inbox

At Nonprofit Hub, we're dedicated to creating and curating the highest-quality nonprofit resources on the web. To get the weekly digest of our articles, sign up below.

Get free updates: [nonprofithub.org/enewsletter](https://nonprofithub.org/enewsletter)

## Books to help you excel

*The Nimble Nonprofit* by Trey Beck and Jacob Smith

A great, breezy primer on doing work that matters. "An unconventional guide to sustaining your nonprofit."

*The Lean Startup* by Eric Ries

Startup success isn't about the perfect idea or having lots of cash. It's about speedy testing and creating to find something (or an experience) that people really want.

*Rework* by Jason Fried and David Heinemeir Hansson

Read this to bust up your assumptions about how an organization should operate. Underdo your competition. Stay small. Break the rules. Waste less time.

Thanks for reading

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We're dedicated to empowering nonprofit organizations by creating and shipping the highest quality nonprofit resources available online.

*We believe the world needs more remarkable nonprofits.*

99% of nonprofits forget the basics online

Get the  
**FREE**  
Evaluation



Your mission should be visible in everything you do.  
Great nonprofit websites:

- Reach more *donors* (not just anyone)
- Raise money through online donations
- Reflect your mission on every page

"DOES OUR WEBSITE TELL OUR STORY?"

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