[Your business name] — Business Plan

Foundation in [Your city] · Startup plan

Executive summary

[Your business name] is a new foundation in [Your city] offering grants to local charities, in one round a year; a small fund for urgent requests between rounds; an endowment paying out at least 5% a year; a public list of every grant, with the guidelines; and the family's giving, done once and done properly. The model is a family foundation: one founding gift invested as an endowment, a board of family members and one outsider, grants to local public charities paid at or above the 5% minimum in one round a year, and the paperwork done by a CPA who files private-foundation returns.

Startup budget: $384,521 across 9 items, with funding still to be decided.

Twelve months from now, success looks like this: [What success looks like twelve months from now]

Products and services

[Your business name]'s core work is grants to local charities, in one round a year. The guidelines are public, the application is one form, the decisions are made by the board in one meeting, every grant goes out on a signed agreement to a charity whose determination letter is on file, and the grants made are listed on the website with the annual return.

- Grants to local charities, in one round a year
- A small fund for urgent requests between rounds
- An endowment paying out at least 5% a year
- A public list of every grant, with the guidelines
- The family's giving, done once and done properly

Market analysis

The foundation serves the charities it funds and the people they serve; it is sustained by the founders' gifts and the endowment's return, and it answers to the IRS and the state regulator, who read the 990-PF every year — each needs to see the payout, the grantees and the costs in plain numbers.

- The charities the grants go to — after-school programs, school libraries, a food pantry — and the people they serve
- The founders and their children, who want a vehicle that outlasts them and teaches the next generation to give
- The grant seekers who read the guidelines and apply once a year
- The IRS and the state charity regulator, who read the 990-PF every year
- The community foundation, the school district and the other funders the foundation gives beside

---

Marketing strategy

Most grant seekers will hear about [Your business name] by word of mouth — through the charities and funders the family already knows — with Google and the IRS's exempt-organization search confirming the foundation is real when someone looks it up: the Google Business Profile and a website that answers who can apply, for what and by when turn a search into an application in the right round.

- The charities the family already knows and volunteers with
- The local community foundation and the other funders, who share which programs need a second check
- Google and Google Business Profile — the foundation by name, and “grants for” plus your county
- The annual grant round announced to the nonprofits on one list
- Candid and the IRS's exempt-organization search, where grant seekers find the foundation's 990-PF
- A website with the guidelines, the application, the deadline, the grants made and the annual report

---

Operations plan

The board meets twice a year with minutes, the endowment sits in a low-cost portfolio under a written investment policy, the 5% payout is calculated every year, the grant round runs on the same calendar every year, nothing is paid to anyone in the family, and the CPA files the 990-PF and the excise tax on time.

- A board of at least three — two family members and one outsider — meeting twice a year with minutes
- The endowment in a low-cost diversified portfolio under a written investment policy; the 5% payout calculated every year
- One grant round: guidelines published in January, applications closed in March, checks out by June, reports back by December
- A grant agreement for every grant, a determination letter on file for every grantee, and nothing to anyone in the family
- A CPA who files private-foundation returns prepares the 990-PF and the excise-tax payment
- Every grant, the guidelines and the return posted on the website

Startup costs

What it will take to open the doors, with funding still to be decided.

Startup costs

ITEM	AMOUNT
State incorporation as a nonprofit corporation (or a charitable trust)	$50
IRS Form 1023 for the 501(c)(3) determination letter	$600
Legal setup: bylaws or trust instrument, the policies, the IRS application	$6,250
State charitable registration	$38
Directors-and-officers insurance (first year)	$1,151
The founding gift that becomes the endowment	$375,000
The grant application form, the grant agreement and the bookkeeping setup	$500
Website with guidelines, application and grants, plus Google Business Profile	$0
Working capital: two months of administration	$932
Total	**$384,521**

Typical range to start a foundation in the US: $254,339–$517,201. Your list is what you decided to spend — replace estimates with real quotes as you get them. Website with guidelines, application and grants, plus Google Business Profile: Your Zarla plan includes the website — the guidelines and deadline, the application form, the list of grants made, the posted 990-PF and annual report, and your Google Business Profile walkthrough — and a designer typically charges $2,000 or more to build one.

Financial plan

The numbers below come from your own startup list and typical monthly costs for a small family foundation in the US. Formation is cheap and the founding gift is the whole budget; the monthly lines are the grants themselves, the investment fee, the CPA, insurance and the filings; and the funding target is the return and the further gifts the founders plan, with the 5% payout the floor the law sets.

Typical monthly operating costs for a foundation: $1,248–$2,856 a month, before staff pay.

Add a monthly funding target and the plan will show how long it takes to recover the startup budget.

Typical monthly operating costs

COST	TYPICAL RANGE
Grants paid out: the 5% minimum on a $250,000 to $500,000 endowment	$1,042–$2,083
Investment management	$0–$125
The 1.39% excise tax on net investment income (paid from the endowment's return)	$12–$35
The CPA: the Form 990-PF, the excise-tax estimate and the books	$125–$417
Directors-and-officers insurance, by the month	$67–$125
State annual filings and registered-agent fees	$2–$21
Grant tracking, email and bank fees (included with Zarla)	$0–$50

US ranges for a small operation; replace with your own figures as you learn them. Lines marked (included with Zarla) are what those tools cost separately — with Zarla they are part of one monthly plan.

Risks and honest downsides

Every foundation plan should say out loud what can go wrong. For [Your business name], the real risks are:

- The endowment is the budget: a 20% market fall is a 20% cut to every future grant, and the 5% is still owed
- One payment to a family member — rent, a salary, a loan — is self-dealing, taxed and reported, whatever the intent
- A missed 990-PF is a penalty; three missed is the end of the exemption
- A grant to the wrong kind of recipient without expenditure responsibility is a taxable expenditure
- Under $1 million the fixed costs — the CPA, the insurance, the filings — are a meaningful share of what the foundation gives
- The founders' children inherit the board and the obligations; a foundation nobody wants to run still has to file

---

Licenses, permits and insurance

What [Your business name] needs before it can legally trade in the US. Rules vary by state and city — confirm each item with your local licensing office and an accountant.

- Formation, the EIN and the private-foundation ruling — In the US a foundation is either a nonprofit corporation formed in its state ($25 in Texas, $30 plus $20 in California, $35 plus $35 in Florida, $75 in New York) or a charitable trust drafted by an attorney; either takes a free EIN and applies to the IRS on the full Form 1023 ($600 — the $275 Form 1023-EZ is closed to organizations over $250,000 in assets or $50,000 in receipts). Because the money comes from one family rather than the public, the IRS classifies it a private foundation under section 509(a), and the private-foundation rules below follow. Have a nonprofit attorney set it up and a CPA who files 990-PFs on retainer before the first gift lands.
- The 5% minimum payout — In the US a private foundation must distribute about 5% of the average fair market value of its investment assets each year in grants to public charities and reasonable administrative costs, by the end of the following tax year (Internal Revenue Code section 4942); undistributed income is taxed at 30%, and at 100% if it is still undistributed after the IRS asks. Calculate it every year with the CPA — the 5% is a floor, not a target.
- The 1.39% excise tax and the Form 990-PF — In the US a private foundation pays a flat 1.39% excise tax on its net investment income for tax years beginning after December 20, 2019 (section 4940; the IRS), reported on Form 990-PF, which every private foundation files every year whatever its size and must show to anyone who asks; three missed years and the exemption is revoked automatically. A church files no 990 and a small charity files the 990-N postcard; a foundation files the full 990-PF whatever its size.
- Self-dealing: nothing to the family — In the US a private foundation may not sell, lease or lend to, buy from, or pay its founders, their family or its substantial contributors — the disqualified persons — beyond reasonable compensation for necessary personal services, and may not let them use its assets (section 4941; the IRS). The self-dealer pays a 10% excise tax on the amount involved, a manager who knowingly agreed 5%, and an uncorrected act 200%. The rule has no de minimis: the foundation does not rent the family's office or buy the founder's art.
- Who can get a grant — In the US a private foundation may grant freely to 501(c)(3) public charities; a grant to an individual for study or travel — a scholarship — needs a procedure the IRS approved in advance (section 4945(g)), and a grant to anything else (another private foundation, a for-profit, a foreign charity) needs expenditure responsibility: a written agreement, reports and a line on the 990-PF. No lobbying, no candidates. Keep every grantee's determination letter and signed agreement in the file the CPA will ask for.
- State registration and the founders' deduction — In the US a foundation registers with the state charity regulator where its state requires it — New York ($25) and California ($50) do, Texas and Florida do not of a foundation that never solicits the public — and files the annual report after that. The founders' income-tax deduction for a gift to a private foundation is capped at 30% of adjusted gross income for cash and 20% for long-term appreciated securities, against 60% and 30% for a gift

to a public charity or a donor-advised fund (Fidelity Charitable); confirm the year's limits and the carry-forward with your tax adviser before the gift.

- Insurance and the board — In the US directors-and-officers cover (Insureon's nonprofit median $67 a month) protects the family members and the outsider who sit on the board from a grantee's or a regulator's claim; most states want at least three directors, and the outsider is what makes the conflict-of-interest policy real. Check your state's board minimum with the attorney who forms the foundation.

Milestones: the next 30 days

The first month's to-do list for [Your business name], in order:

- Write the mission in one sentence and the grant guidelines on one page — who can apply, for what, how much, by when
- Decide trust or corporation with a nonprofit attorney, recruit the board (two family members and one outsider at least) and adopt the bylaws and the conflict-of-interest policy
- Incorporate or sign the trust, take the EIN, open the bank and brokerage accounts under a written investment policy
- File Form 1023 ($600) and the state charitable registration where your state requires it
- Make the founding gift and invest it; note the date and the value for the first 5% calculation
- Retain a CPA who files private-foundation returns and set the calendar: the 990-PF, the excise estimate, the payout
- Bind the directors-and-officers policy
- Put the website live — the guidelines, the application form, the deadline, the board — and claim the Google Business Profile
- Announce the first grant round to the charities on your list and introduce the foundation to the community foundation

---

Appendix: what a funder will ask for

This plan tells the story and shows the numbers. If you take it to a funder, expect to be asked for these documents as well:

- The articles of incorporation or the trust instrument, the bylaws and the board roster
- The IRS determination letter and the state registration
- The investment policy statement and the brokerage statements
- The 5% payout calculation and the grants paid, with each grantee's determination letter and signed agreement
- The Form 990-PF as filed and the excise-tax payment
- The conflict-of-interest policy, signed by every director, and the directors-and-officers certificate

Template: replace every [bracketed] line and every estimate with your own figures. Written with Zarla's free business plan generator — zarla.com/business-plan-generator writes it from five questions.

Written with Zarla · zarla.com/business-plan-generator