

## The Hidden Cost of Noncompliance: How Small Mistakes Can Jeopardize Your 501(c)(3)

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When most people think about running a nonprofit, they focus on passion, purpose, and programming—not paperwork. But behind every successful 501(c)(3) is a foundation of strong compliance practices that keep the organization legally protected and funder-ready. Unfortunately, even small compliance oversights—like forgetting to renew a charitable solicitation registration—can snowball into major consequences, including loss of tax-exempt status, donor mistrust, and grant ineligibility. As a compliance specialist working with nonprofits across the U.S., I've seen firsthand how avoidable errors can derail incredible missions. This article breaks down the real risks, common pitfalls, and how your nonprofit can stay on track without getting overwhelmed.



### What Is “Compliance,” Really?

Compliance means more than just submitting your IRS Form 990. It encompasses all the legal and operational standards nonprofits must meet, including state-level charitable registrations, board governance requirements, and timely updates to government agencies. Staying compliant strengthens your nonprofit’s transparency and reputation—two things donors and funders care deeply about.

### The Top 5 Compliance Mistakes Nonprofits Make

1. Letting state registrations lapse
2. Filing the wrong version of IRS Form 990
3. Skipping board governance requirements
4. Failing to notify agencies of changes in leadership or address
5. Assuming an accountant or bookkeeper handles all compliance needs

### What’s Really at Stake?

Ignoring compliance issues can lead to serious repercussions—penalties, suspension of fundraising privileges, even loss of tax-exempt status. Noncompliance may also hurt your credibility with donors, grant-makers, and watchdog organizations, making it harder to secure funding or partnerships. And the cost to fix issues after the fact is often much higher than simply preventing them.

### What You Can Do (Even with a Small Team)

- Create a compliance calendar and set reminders
- Assign one person to track deadlines and filings
- Consult with a compliance specialist when in doubt
- Utilize free resources like the IRS, state charity bureaus, and Candid.org

**Conclusion** Your mission matters. And protecting it starts with knowing the rules that govern it. Compliance isn't just about checking boxes—it's about building trust, credibility, and a foundation strong enough to grow your impact.