Nonprofit Policies, Practices and Procedures 101

MCN Nonprofit Essentials Conference – August 15, 2019
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Agenda

- Overview of Charities Review Council & Accountability Standards®
- Dive into Accountability Standards®
- Scheduling Review of Policies, Procedures and Practices
Charities Review Council

Transforming philanthropy
Building donor and nonprofit relationships for strong, vibrant and just communities.

STRATEGIC PRIORITIES

1. Be recognized as a national leader in advancing philanthropy into the 21st century
2. Inspire and support culturally responsive giving
3. Align internal structures and resources to meet external demands
4. Expand our reach with donors, funders and nonprofits
5. Develop an organizational business model framed for growth
Recommended Policies Based on the Accountability Standards®
Monitoring Mission and Strategy

Board completes an annual review of the organization’s mission and strategy
Charities Review Council's Annual Report Checklist

Required Items of a Meets Standards® Annual Report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Examples/Helpful Hints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Statement</td>
<td>To increase K-12 student success in math and science.</td>
</tr>
<tr>
<td>Description of each Major Program (should match what is provided in the IRS Form 990 Part III)</td>
<td>1. After school tutoring. 2. Summer camps. 3. Parent training (with a brief description of each)</td>
</tr>
<tr>
<td>Major Program Accomplishments (specific &amp; objective)</td>
<td>We serve 25% of students in our service area. Schools report increased academic performance of students participating in tutoring &amp; summer camps. Parents indicate they are better able to assist their students with math &amp; science homework.</td>
</tr>
<tr>
<td>Geographic Location(s) &amp; Population(s) Served</td>
<td>Families with children in K-12 schools in the Twin Cities Metro area.</td>
</tr>
<tr>
<td>List of Board of Directors</td>
<td>Include officer titles (e.g. President, Secretary, Treasurer, etc.)</td>
</tr>
<tr>
<td>List of Key Paid or Volunteer Staff</td>
<td>At a minimum, include the Executive Director</td>
</tr>
<tr>
<td>Balance Sheet (assets &amp; liabilities)</td>
<td>See Charities Review Council Example</td>
</tr>
<tr>
<td>Financial Statement (revenue &amp; expenses)</td>
<td>See Charities Review Council Example</td>
</tr>
<tr>
<td>Functional Expense Allocation (dollar amount)</td>
<td>Should include Programs, Fundraising, &amp; Management costs, as reported in the IRS Form 990.</td>
</tr>
<tr>
<td>Total Cost for each Major Program</td>
<td>This is listed in Part III of the IRS Form 990. If you have only one program, this is the same as the total program costs.</td>
</tr>
</tbody>
</table>

Annual communications can exist in various formats including: print, web-based, and/or video. However, this information should be easy to access online requiring less than three web clicks from the home page.
Obtain and review compensation data for comparable positions and consider whether the compensation is reasonable.

Board regularly discusses and sets the Chief Executive’s goals, whether paid or unpaid.
New board members receive orientation within one year of election.

Board will conduct an annual self-assessment to ensure its effectiveness and capacity to govern.
Federal Tax Filing Review

Board will conduct an annual review of the complete IRS Form 990 and all attachments.
Minnesota State Statute 309

Organizations with annual budgets greater than $750,000 need to complete an audit

Make board approved audit available on request
Annual Budget

- Board will approve an operating budget (or draft budget) before the end of the first month of the fiscal year.
Three-year Review Schedule

- BYLAWS AND ARTICLES OF INCORPORATION
- CONFLICT OF INTEREST POLICY
- WHISTLEBLOWER POLICY
- DIVERSITY, EQUITY & INCLUSION CONVERSATION
- DISCONTINUE CONTACT POLICY
- EXPENSE REIMBURSEMENT POLICY
- DONOR PRIVACY POLICY
Governing Document Review

- Board will review the nonprofit’s Bylaws and organizational policies (Articles of Incorporation) every three years
### Conflict of Interest Policy

#### Audiences to Include
- Directors
- Officers
- CEO/Executive Director
- Employees

#### What it Covers
- Define conflicted relationship or transaction
- Requires full disclosure
- Prohibits voting by interested parties
- Annual written disclosure of real or perceived conflicts
- Consistently enforced
Procedures for reporting and investigating complaints

Provides for confidentiality

Protects from retaliation

Staff can go directly to the board within board’s purview
<table>
<thead>
<tr>
<th></th>
<th><strong>Collect</strong></th>
<th>Collect info on participants, volunteers, vendors, staff, partners, board, practices and programs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Review</strong></td>
<td>Review to ensure the organization reflects who it serves</td>
</tr>
<tr>
<td></td>
<td><strong>Identify</strong></td>
<td>Identify goals, opportunities, gaps and progress</td>
</tr>
</tbody>
</table>
Clear timelines for retaining governing, legal, audit and financial documents

Destruction requirements once documents have exceeded their retention period
Expense Reimbursement Policy

- Applicable to both board and staff
- Describes acceptable expenses
- Sets reasonable limits
- Outlines procedures for reimbursement
Donor Privacy Policy

- What donor information is collected
- How donor information is collected
- How donor information is used
- How to edit their information
- Allow for donors to opt out of making information public
Discontinue Contact Policy

Maintain a written policy to discontinue contacting any person on their request

Maintain records of their request
Review Every 5 Years

Strategic Plan
Set a review schedule so you know when you should be reviewing which policy, practice or procedure.
## Document Review Schedule

**Updated 06-29-2018**

Per our Accountability Standards® and per the policies themselves, the Council created a rotating three-year schedule to ensure review of key Council documents and policies. As new policies are created, they are added to the document review schedule. Note: Unless otherwise specified, review schedule sets frequency for review once every three years.

<table>
<thead>
<tr>
<th>Document</th>
<th>Schedule for Review</th>
<th>Committee Responsible</th>
<th>Reviewed by Committee</th>
<th>Approved by the Board</th>
<th>Frequency of Review</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift Acceptance Policy</td>
<td>2019</td>
<td>Executive</td>
<td>Scheduled to be reviewed at August 2019 EC Meeting</td>
<td>4/25/2018</td>
<td>Every 3 years, requires board approval</td>
<td>Executive Committee recommended reviewing this policy again in 2019 given new tax law.</td>
</tr>
<tr>
<td>Internal Controls Policy</td>
<td>2019</td>
<td>Executive</td>
<td>Scheduled to be reviewed at 6/3/2019 EC Meeting</td>
<td>Every 3 years</td>
<td></td>
<td>KPI stated that this policy (previously approved in 2017) be reviewed and approved again to include chart around contract signing. Audit Committee felt the Executive Committee should review and recommend for approval.</td>
</tr>
<tr>
<td>Operating Reserves Policy</td>
<td>2019</td>
<td>Executive</td>
<td>Scheduled to be reviewed at 7/2/2019 EC Meeting</td>
<td>Every 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Recovery Plan</td>
<td>2019</td>
<td>Executive</td>
<td>Scheduled to be reviewed at 8/23/2019 EC Meeting</td>
<td>Every Year</td>
<td></td>
<td>Last reviewed in 2020; approved by board 6/21/2018</td>
</tr>
<tr>
<td>Website Privacy Policy</td>
<td>2019</td>
<td>Staff</td>
<td>N/A</td>
<td>Every 3 years</td>
<td></td>
<td>Reviewed and revised by legal counsel (Kathay Patrick-Perrier)</td>
</tr>
<tr>
<td>Website Terms of Use</td>
<td>2019</td>
<td>Staff</td>
<td>N/A</td>
<td>Every 3 years</td>
<td></td>
<td>Reviewed and revised by legal counsel (Kathay Patrick-Perrier)</td>
</tr>
<tr>
<td>Donor Privacy Policy</td>
<td>2019</td>
<td>Staff</td>
<td>Suggested for review in Q3</td>
<td>N/A</td>
<td>Every 3 years</td>
<td>Reviewed and revised by legal counsel (Kathay Patrick-Perrier)</td>
</tr>
<tr>
<td>Discontinue Contact Policy</td>
<td>2022</td>
<td>Staff</td>
<td>3/26/2019</td>
<td>Every 3 years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Online capacity-building tool based on the Accountability Standards®

The Accountability Wizard is:

- A learning tool
  - Key definitions,
  - Sample policies,
  - Links for more information
- Self-paced
- Risk-free

About this Question

To demonstrate accountability to donors and constituents and to prevent abuse, a nonprofit should provide a means for reporting perceived or possible illegal practices or violations of organizational policies.

The Standard states the nonprofit maintains a policy and communicates procedures for the reporting and investigation of complaints about perceived or possible illegality, questionable practices or policy violations. The policy provides for the confidentiality of the individual who reports the complaint and protects him/her from retaliation by the organization.

Sample Whistleblower Policy (PDF)

Electronic Voting: If your board of directors ever votes electronically, be aware that many states require that such a vote must be anonymously consented and verified through either physical signatures or authenticated electronic communications from all board members, unless the organization’s articles of incorporation (not just the bylaws) override the requirement. For example, see Minnesota Statute 317A.23.

Standards related to this Question

- Whistleblower Policy
The Benefits

• Build stronger relationships between board & staff

• Ensure strong internal policies, practices and procedures are in place

• Earn the Meets Standards® Seal, a visual marker of nonprofit strength

• Gain additional exposure through Council communications & promotions
  • Promoted on Social Media
  • Listed in the Smart Giver Newsletter
  • Listed on the Council’s Website