Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa

Nonprofit Association of the Midlands

2012
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Introduction

With help and guidance from a variety of experts in the nonprofit, government, and private sectors, including the state associations in Colorado, Michigan, Minnesota, and Montana, the Nonprofit Association of the Midlands (NAM) has developed Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa to help charitable organizations in these states demonstrate accountability and transparency and build their capacity. Some guidelines are legal requirements that all nonprofits must follow, while others are aspirational practices. Although many of the guidelines and principles detailed will be helpful to all nonprofits, they are specifically written for Nebraska and Iowa nonprofit corporations that are tax-exempt under 501(c)(3) of the Internal Revenue Code and that are public charities (i.e., not private foundations).

NAM believes that good organizational practices are best implemented through education and self-regulation. Thus, Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa is intended to serve as an educational resource to improve the efficiency, transparency, and accountability of charitable organizations in these two states.

While some of the guidelines within the document are legal requirements, adherence to Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa is NOT MANDATORY. Instead, it provides a planning and assessment framework that raises the bar for nonprofit performance. It is intended as a tool for nonprofits to live up to the challenge posed by Stephen Covey and other thought leaders: “Begin with the end in mind.” Think of Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa as a nonprofit roadmap—the roadmap itself does not determine the path to the final destination, but it provides alternative routes and serves as a starting point for decision making.

Purpose

Guidelines & Principles for Nonprofit Excellence in Nebraska & Iowa has three intended purposes:

- Provide individual charitable organizations striving for excellence with a state-specific tool for

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evaluating regulatory compliance, enhancing strategic planning, and refining operational evaluation.

- Support the growth and quality of the sector.
- Increase public understanding of the role and contributions of the charitable nonprofit sector in Nebraska & Iowa.

Please note that these guidelines and principles are not designed to be used by funders or government as a “litmus test” to evaluate charitable organizations, nor are they intended to be a substitute for the wisdom of directors, staff, and advisors of individual organizations. Also, this guidebook is not meant to be construed as legal advice, and is not a substitute for individualized consultation with an attorney.

DEFINITIONS
The following terms are used throughout this document:

- A “guideline” is a recommendation suggesting how something should be done or what sort of action should be taken.
- A “principle” is a broad statement that defines a suggested ethical or managerial direction for a nonprofit organization.
- A “practice” is a suggested method to aid in achieving the principles.
- Whenever the term “must” is used, federal or state laws exist that require all 501(c)(3) charitable nonprofit organizations to conform to that practice. These requirements are denoted with NE (Nebraska state law), IA (Iowa state law) or US (federal law).
- The term “should” means that the practice is not required by law, but is generally recommended depending upon the nature, resources, and lifecycle stage of the nonprofit organization.
- In this document the terms “charitable organization” and “nonprofit organization” are used interchangeably to refer to nonprofit organizations that are tax-exempt under 501(c)(3) of the Internal Revenue Code.
- “Capacity” refers to activities that strengthen a nonprofit organization’s infrastructure and governance in
order to more effectively and efficiently fulfill its mission. Many factors affect capacity including the lifecycle stage of the organization, a sudden increase or decrease in funding, skill level of staff, changes to staff or governance, etc.

- **“Accountability”** generally refers to an organization’s ability to answer questions regarding appropriate expenditure of funds and/or service impacts and outcomes that demonstrate progress toward its mission.

**LEGAL CONSIDERATIONS**

All nonprofit organizations operating in the states of Nebraska and Iowa should be aware of and in compliance with all legal requirements pertaining to nonprofit management, reporting, and governance. Visit the following websites for a summary of applicable laws, links to helpful resources, and downloadable forms:


**FLEXIBILITY**

Guidelines & Principles should be utilized as a tool to increase transparency and accountability, and it should generate conversation among an organization’s leadership. Guidelines & Principles should be considered alongside other best practices programs that exist for specific types of nonprofits. Also, some organizations may have acceptable reasons to deviate from the recommended practices, and/or they may adhere to standards specific to their nonprofit subsector.

Principles are presented in alphabetical order because it is difficult to prioritize one principle over another, and many of them are interconnected. It is up to organizational leadership to identify your organization’s top priority.

With the diverse community of charitable organizations in Nebraska and Iowa, it is also important to note the wide variety of
best practices in the sector; no one set will fit all organizations in the same way. Each nonprofit organization should conduct a careful organizational assessment, including evaluating its stage in the nonprofit lifecycle, to establish where it is and where it wants to be. Guidelines & Principles is intended as a basis for each organization (board, staff, and other constituents) to make a thoughtful determination of organizational strengths, weaknesses, and actions that will best move it forward towards greater mission impact.

While participation and adherence to Guidelines & Principles is strictly voluntary, implementing the recommendations and aspiring toward greater efficiency and effectiveness can enhance an organization’s credibility in the eyes of the public, funders, community partners, staff, volunteers and the audience it serves. Nonprofits are encouraged to develop a thoughtful and strategic process for organizational assessment and planning that includes the following elements:

- review and adoption of a set of standards or principles to which the organization can commit;
- review of the Basic Infrastructure Checklist;
- identification of the lifecycle stage of the organization as a means to frame appropriate expectations;
- completion of an organizational assessment to identify strengths and growth areas;
- development of an action plan that addresses its areas for growth and maintains/promotes strong organizational practices where they exist;
- implementation of the action plan through individual work plans and periodic progress reviews.

Nonprofit Life Cycles

A number of frameworks have been developed related to nonprofit lifecycles. The Nonprofit Association of the Midlands typically employs Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity by Susan Kenny Stevens

[www.stagewisenterprise.com](http://www.stagewisenterprise.com) as the basis of its lifecycle work with nonprofits. The book outlines seven stages of nonprofit capacity, includes a user-friendly assessment tool to identify the organization’s lifecycle stage, and provides specific recommendations for each stage.

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ADDITIONAL RESOURCES

We also recommend that nonprofit leaders review and refer to the following materials for ongoing support and guidance:

- Alliance of Fundraising Professionals (AFP) Code of Ethical Conduct for Fundraisers [www.afpnet.org](http://www.afpnet.org)
- Independent Sector’s Code of Ethics for the Nonprofit Sector [www.independentsector.org](http://www.independentsector.org)
- BoardSource reference materials and publications on governance [www.boardsource.org](http://www.boardsource.org)
- Nonprofit Risk Management Center [www.nonprofitrisk.org](http://www.nonprofitrisk.org)
- Nonprofit Good Practice Guide [www.npgoodpractice.org](http://www.npgoodpractice.org)

Questions? Need more information? Contact NAM at 402.557.5800 x-1# or anne@nonprofitam.org.

ACKNOWLEDGEMENTS

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DISCLAIMER

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business interruption, loss of use, lost data, lost profits or any other pecuniary loss, whether in an action of contract, negligence or other tortuous action, even if NAM has been informed of the possibility.
COMMUNICATIONS: Nonprofit organizations should have thoughtful, intentional systems for general communications, marketing and media relations in order to promote and advance mission achievement. Internal communications help to motivate, inform, and counsel employees and volunteers of nonprofits and to set the stage for external communications. External communication helps to attract and retain constituents and to raise public consciousness, understanding and commitment to the organization. Working with the media is a necessary part of effectively communicating an organization’s mission to the general public, donors, volunteers and policymakers.

EVALUATION: As entities that serve the public, nonprofit organizations have an obligation to demonstrate their value to the public. The public has a stake in nonprofit performance and is entitled to information regarding organization results. Nonprofits should regularly measure their performance against a clear set of goals and should share such information with their constituents. Nonprofit evaluation should be appropriate to the size and purpose of the organization and evaluation data should be used to continually improve the quality of processes, programs and activities.

FINANCIAL MANAGEMENT: Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal financial requirements related to financial matters. They should adhere to sound accounting principles that ensure fiscal responsibility and build public trust. Nonprofits should use their financial resources to accomplish their missions in an effective, efficient manner and should establish clear policies and practices to regularly monitor how funds are used.

FUNDRAISING: Nonprofit organizations play an important societal role in serving as the vehicles by which philanthropy occurs. Nonprofits act as the intermediaries between donors and beneficiaries and have ethical obligations to ensure proper handling of funds to carry out their missions. Nonprofit fundraising should be conducted according to the highest ethical standards with regard to solicitation, acceptance, recording, reporting and use of funds. Nonprofits should adopt clear policies for
fundraising activities to ensure responsible use of funds for designated purposes and open, transparent communication with donors and other constituents.

**GOVERNANCE & LEADERSHIP:** A nonprofit board of directors is responsible for defining the organization’s mission and for providing overall leadership and strategic direction to the organization. A nonprofit board actively sets policy and ensures that the organization has adequate resources to carry out its mission. The board provides direct oversight and direction for the executive director and is responsible for evaluating his/her performance. A nonprofit board also has a responsibility to evaluate its own effectiveness, in upholding the public interest(s) served by the organization.

**HUMAN RESOURCES:** Effective management of human resources is essential for creating successful organizational results. Nonprofit organizations should exercise fair and equitable human resource practices that attract and retain qualified individuals. Nonprofits have an obligation to adhere to all legal employment requirements and to provide a safe work environment. Nonprofit organizations should establish specific policies and practices that promote mutual cooperation to advance the organization’s interests, and that reflect appropriate industry standards for remuneration.

**INFORMATION & TECHNOLOGY:** Effective and appropriate use of technology is critical to maintaining a nonprofit organization’s accountability and relevance. A nonprofit should manage information with regard for confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness, and legal compliance. A nonprofit should incorporate appropriate technology into its work to improve its efficiency, efficacy, and accuracy in the achievement of its mission.

**PLANNING:** Organizational planning is a process that defines a nonprofit’s overall direction, activities and strategies to fulfill its mission. Nonprofits have a duty to engage in sound planning to define a clear vision for the future. In order to best position organizations to achieve their goals, nonprofit planning should include input from constituents and should be intentional and ongoing.

**PUBLIC POLICY & ADVOCACY:** Nonprofit organizations play a central role in the democratic process by providing a means for public participation and promotion of
the common good. As entities that serve the public, nonprofit organizations should engage in public policy and advocacy activities to promote constituent, organizational and sector interests. Nonprofits should work to promote broad public participation in public policy and advocacy efforts and should provide assistance to the public in these efforts.

**STRATEGIC ALLIANCES:** Strategic alliances can take many forms and can serve multiple purposes, such as partnership, sharing of resources and improved operational efficiency. Strategic alliances help to strengthen individual nonprofit capacity and the capacity of the sector as a whole. Nonprofit organizations should be open to strategic alliances and, when appropriate, should partner with other organizations to enhance their capability to achieve desired results. Nonprofits should work to promote cooperation and coordination among a variety of entities to avoid unproductive duplication of services and to maximize the resources available to the communities they serve.

**TRANSPARENCY & ACCOUNTABILITY:** As entities that serve the public, nonprofits have an ethical obligation to conduct their activities in a way that is accountable and transparent to their constituents. Nonprofits should engage in ongoing efforts to openly convey information to the public about their missions, activities and decision-making processes. This information should be easily accessible to the public and should create external visibility, public understanding and trust in the organization.

**VOLUNTEER ENGAGEMENT:** Effective volunteer engagement is critical to the success of a nonprofit. The time, talent and treasure provided by volunteers help an organization maximize results in working toward its mission. Nonprofit organizations should exercise fair and equitable volunteer management practices that attract and retain qualified individuals. An effectively-managed volunteer program can build an organization’s efficiency, enhance community engagement, provide specialized expertise and increase the community’s awareness of issues and resources through a knowledgeable pool of ambassadors and donors.
COMMUNICATIONS

Nonprofit organizations should have thoughtful, intentional systems for general communications, marketing and media relations in order to promote and advance mission achievement. Internal communications help to motivate, inform, and counsel employees and volunteers of nonprofits and to set the stage for external communications. External communication helps to attract and retain constituents and to raise public consciousness, understanding and commitment to the organization. Working with the media is a necessary part of effectively communicating an organization’s mission to the general public, donors, volunteers and policymakers.

Recommended Practices:

1. A nonprofit must meet all federal requirements for public disclosure. US

2. All organizational communications should adhere to the highest ethical and professional standards, as well as any industry specific standards that may exist, including principles of transparency, fairness and honesty. These standards should be clearly stated in writing and should be part of the orientation of all employees, volunteers and board members.

3. A nonprofit should have a clearly defined, written communication plan that guides both internal and external communications and supports the comprehensive organizational plan. The communication plan should be directly related to the strategic plan and demonstrate accountability to constituents and the public. It should be updated regularly to ensure it stays current with organizational priorities, technology, and communication trends (such as social media).

4. A nonprofit communication plan should include goals, target audiences, key messages, strategies, tools, intended outcomes, and the means to evaluate results.

5. A nonprofit should have a written plan for communicating with the public and the media at a time of crisis or emergency that includes a procedure to communicate internally as well.
6. A nonprofit communication plan should ensure that the organization is making appropriate information available to the public and communicating in a clear and timely manner with those who request information. Constituents should be provided with ongoing opportunities to interact with the board and management regarding the organization’s activities. There should be a system in place for promptly and respectfully responding to grievances or complaints from both internal and external sources.

7. In serving the public trust, a nonprofit should produce an annual report that contains information regarding activities and performance, including: 1) an explanation of the organization’s mission, activities, and results, 2) an explanation of how individuals can access programs/services, 3) financial information, including income and expense statements, balance sheet, and functional expense allocations, and 4) a list of board members, management staff, partners/supports, and donors.

8. A nonprofit should encourage internal communication that welcomes alternative perspectives, encourages participation at all levels, minimizes defensiveness, and builds and maintains camaraderie. Management should actively solicit, carefully listen, and respectfully respond to the views of internal constituents.

9. Internal communications should be guided by a clear policies and practices manual, regularly scheduled and attended meetings, regularly printed and/or e-mailed informational updates, an understood forum for suggestions, and reports on meetings of the board of directors and its committees.

10. A nonprofit should have a social media policy that outlines clear rules around the use of social media and that designates one person to oversee such efforts.

11. A nonprofit should have written policies and procedures for developing public statements and positions on issues, and have one or more clearly identified spokespersons that are authorized to make public statements on behalf of the organization. All internal
constituents should be aware of and trained on the policies.

12. A nonprofit should develop a media relations strategy that includes frequently updating all major press, television, radio and internet news sources, builds relationships with individuals in the local media, and coordinates messaging across media.

13. A nonprofit should ensure that information provided to policy makers, the media, and the public is timely and accurate, and that the social and political context of information is clear to avoid misunderstanding or manipulation of the message.

14. A nonprofit should openly communicate with other nonprofit organizations to share lessons learned and best practices.

15. A nonprofit should establish and promote a clear brand that provides strategic benefits to the organization as a whole; is supported by a logo, graphic standards, messaging, tone, and actions; and provides a point of reference for all communications.
EVALUATION

As entities that serve the public, nonprofit organizations have an obligation to demonstrate their value to the public. The public has a stake in nonprofit performance and is entitled to information regarding organization results. Nonprofits should regularly measure their performance against a clear set of goals and should share such information with their constituents. Nonprofit evaluation should be appropriate to the size and purpose of the organization and evaluation data should be used to continually improve the quality of processes, programs and activities.

Recommended Practices:

1. A nonprofit should have defined, ongoing and sustainable procedures in place for evaluating its programs, procedures, and outcomes in relation to its mission.

2. A nonprofit should regularly monitor the satisfaction of service participants and constituents and provide a grievance procedure to address complaints.

3. Information that is collected from persons served should be kept confidential.

4. Evaluation results should be used to strengthen and improve the nonprofit organization’s programs and activities by incorporating evaluation findings into strategic planning processes.

5. Measurement should inform the operational plan and should be used to evaluate organizational effectiveness.

6. Performance measures should be realistic, specific, measurable and appropriate to the size and scope of the organization and its constituents.
   a. Measurement should include information on satisfaction, activities, results, and community input.
   b. Measurements may include both qualitative and quantitative data.
   c. Measurement should include data on efficiency and effectiveness.

7. Nonprofit evaluation should be ongoing, conducted in a culturally sensitive manner, and include input from a wide variety of stakeholders.
8. Evaluation results should be communicated to a broad range of constituents including staff, board, clients, foundations, the public, etc.

9. A nonprofit should share relevant lessons learned with other nonprofits and funding sources.

FINANCIAL MANAGEMENT

Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal requirements related to financial matters. They should adhere to sound accounting principles that ensure fiscal responsibility and build public trust. Nonprofits should use their financial resources to accomplish their missions in an effective, efficient manner and should establish clear policies and practices to regularly monitor how funds are used.

Recommended Practices:

1. A nonprofit must qualify as a public charity either under the “public support test” or the “facts and circumstances test” or by qualifying as a supporting organization to another public charity. US

2. A nonprofit must comply with all financial reporting and tax laws. US
   a. withholding and payment of federal and state income taxes
   b. withholding and payment Social Security payroll taxes
   c. reporting of unrelated business tax (if applicable)
   d. clearly and appropriately categorizing donated funds as unrestricted, temporarily restricted or permanently restricted in accordance with the donor or grantor wishes/stipulations
   e. having an annual audit, financial review, or compilation (audit required if spent over $500,000 of federal money/grants)
   f. making annual tax returns and tax exemption documents available to the public

3. A nonprofit must have a system in place that allows individuals to report financial misconduct, without consequence for doing so (“whistle-blower protection policy”). US

4. A nonprofit must have a policy in accordance with federal law to handle, store, and destroy financial records and supporting documentation. US

5. A nonprofit must not allow personal use of organizational funds or business credit cards. US

6. A nonprofit must have a board-approved lobbying expense policy and
7. A nonprofit board must strictly prohibit financial loans to staff or board members. NE, IA

8. A nonprofit must file its biennial report with the Secretary of State on time. NE, IA

9. A nonprofit should keep complete, current, and accurate financial records with supporting documentation in a manner that complies with standard accounting practices from FASB or GASB.

10. A nonprofit board member should clearly understand how to read and interpret financial statements and the audit or financial review reports.

11. A nonprofit should generate accurate and relevant financial reports which include the comparison of actual to budgeted revenue and expenses, and which identify and explain any significant variances. These reports should be provided to the board of directors for regular review and discussion, preferably on no less than a quarterly basis.

12. A nonprofit should plan for a balanced budget. In the event that a budget deficit occurs, the board should be aware of this expected outcome and should participate fully in determining a plan to restore the budget to a balanced state.

13. Annually, the board should review and approve an annual budget for the organization. While each board must determine the appropriate budget needed to achieve its mission, various industry benchmarks provide target ranges of 65-80% of expenditures for programs, and 20-35% for administration, fundraising and evaluation.

14. Financial audits should be approved by the organization’s board and certified by the Executive Director and CFO of the organization.

15. The auditor should meet with the organization’s board separately from management staff.

16. It is recommended that a nonprofit board of directors have an audit committee that does not share members with, and works independently of, the finance committee.
17. The Executive Director, CFO, board and audit committee (if applicable) should review and approve the Form 990 before it is submitted to ensure that it is accurate, complete and filed on time.

18. A nonprofit should have the following board-approved policies that relate to and impact the organization’s financial situation:
   a. financial management policy
   b. risk management plan
   c. investment plan
   d. credit card policy
   e. expense reimbursement policy
   f. contract management policies and procedures appropriate for the size and activities of the organization (if applicable)
   g. procurement and purchasing policy, including signature authority

19. To the extent possible given the size of the organization, a nonprofit should ensure separation of specific financial duties as a system of checks and balances.

20. A nonprofit should have appropriate internal controls and procedures to monitor and record assets received, held, and expended.

21. A nonprofit should establish and maintain a financial reserve which is equal to three to six months of operating expenses.

22. A nonprofit has a legal and ethical obligation to expend funds responsibly and must ensure that funds are dispensed according to the funders’ wishes and requirements.

23. A nonprofit should consider bequests, planned gifts and pledges when determining the annual budget and should not include these dollars in budgeting for program expenditures until the gift is actualized.

24. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility of fiscal sponsorship for another organization.
FUNDRAISING

Nonprofit organizations play an important societal role in serving as the vehicles by which philanthropy occurs. Nonprofits act as the intermediaries between donors and beneficiaries and have ethical obligations to ensure proper handling of funds to carry out their missions. Nonprofit fundraising should be conducted according to the highest ethical standards with regard to solicitation, acceptance, recording, reporting and use of funds. Nonprofits should adopt clear policies for fundraising activities to ensure responsible use of funds for designated purposes and open, transparent communication with donors and other constituents.

Recommended Practices:

1. A nonprofit must comply with all federal, state, and local laws and regulations concerning fundraising practices. US, NE, IA. This includes the following:
   a. Providing acknowledgement and receipts to donors in accordance with IRS code. US
   b. Properly categorizing donated funds as unrestricted, temporarily restricted, or permanently restricted, in accordance with the donor or grantor wishes/stipulations. US
   c. Securing appropriate liquor and gaming licenses from the state (if applicable). NE, IA
   d. Being prepared to provide financial disclosure information to any person requesting it, for all fundraising done in Iowa. IA

2. In Iowa, a nonprofit utilizing professional commercial fundraisers must register with the Iowa Attorney General, obtain a permit, and update it as required. IA

3. A nonprofit board and executive should be familiar with the Association of Fundraising Professionals’ Code of Ethical Principles and Standards of Professional Practice, available at www.afpnet.org, and ensure that all fundraising professionals acting on behalf of the organization adhere to these principles and standards.

4. A nonprofit’s board assumes overall responsibility for raising sufficient funds to meet the organization’s budgeted objectives. This includes 100% of board
members financially supporting the organization in accordance with a written board giving policy, and board members raising funds from external sources.

5. A nonprofit should have a board-approved fund development plan that strives to raise funds efficiently so that a significant percentage of funding can be applied to programs/services. The organization should strive to diversify funding sources to strengthen sustainability and lessen the impact of a potential loss of funding from any one source.

6. A nonprofit should only seek funds that it needs to reasonably work toward achieving its mission over the foreseeable future and that will not bring about adverse conditions for constituents.

7. A nonprofit should have policies in place that govern the receipt, disposal, and management of charitable gifts and grants.

8. A nonprofit should use funds according to donor intent and comply with specific conditions for donations.

9. A nonprofit should publicly recognize charitable contributions as appropriate and maintain donor confidentiality as requested. Nonprofits should not share or trade donor names with others unless given permission by the donor.

10. A nonprofit should regularly communicate with donors regarding its activities and should make such information available through multiple outlets.

11. A nonprofit should be familiar with the legal distinctions between staff, consultants and contract employees, ensuring the ability to adequately manage and supervise fundraising activity conducted by contractual providers.
GOVERNANCE

A nonprofit board of directors is responsible for defining the organization’s mission and for providing overall leadership and strategic direction to the organization. A nonprofit board actively sets policy and ensures that the organization has adequate resources to carry out its mission. The board provides direct oversight and direction for the executive director and is responsible for evaluating his/her performance. A nonprofit board also has a responsibility to evaluate its own effectiveness, in upholding the public interest(s) served by the organization.

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Legal Responsibilities of Nonprofit Boards (BoardSource)

- **Duty of Care** - The duty of care describes the level of competence that is expected of a board member, and is commonly expressed as the level of “care that an ordinarily prudent person would exercise in a like position and under similar circumstances.” This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

- **Duty of Loyalty** - The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

- **Duty of Obedience** - The duty of obedience requires board members to be faithful to the organization’s mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public’s trust that the organization will manage donated funds to fulfill the organization’s mission.
Ten Basic Responsibilities of Nonprofit Boards (BoardSource)

1. **Determine the organization's mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.

2. **Select the chief executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.

3. **Provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.

4. **Ensure adequate resources.** One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission.

5. **Ensure legal and ethical integrity and maintain accountability.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.

6. **Ensure effective organizational planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.

7. **Recruit and orient new board members and assess board performance.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate its own performance.

8. **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

9. **Determine, monitor, and strengthen the organization's programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and to monitor their effectiveness.

10. **Support the chief executive and assess his or her performance.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.
Recommended Practices:

1. A nonprofit must be knowledgeable about and in compliance with all international, federal, state, and local laws pertaining to governance of the organization, including the following:
   a. having an IRS determination letter
   b. having up-to-date articles of incorporation
   c. holding an organizational meeting after incorporation to elect directors (if not named in the articles of incorporation), appoint officers, and adopt bylaws
   d. having an up-to-date registered agent and registered office filing with the Secretary of State
   e. filing a biennial report with the Secretary of State

2. A nonprofit’s bylaws should include the following elements:
   a. board liability & indemnification language
   b. a clear policy on board member term limits, rotation (term staggering), number of consecutive terms, and removal
   c. voting procedures

3. Although Nebraska and Iowa law requires fewer members (3 in NE, 1 in IA), the board should be comprised of at least five persons unrelated to each other or to staff to ensure appropriate deliberation, diversity of perspective, and minimized opportunity for conflict of interest.

4. The board must have all required officers (president, secretary, treasurer, or as indicated in bylaws).

5. No more than one employee of the organization (typically the chief executive) should serve as a voting member of the board and he/she should not serve as chair, vice-chair, secretary, or treasurer of the board.

6. At least two-thirds of the board must be independent, as defined by the IRS.*

7. A nonprofit board should be comprised of individuals who represent the best interests of the organization and who bring the diverse skills, expertise and experience necessary to fulfill all needed board roles, including at least one person with financial expertise.

8. Nonprofit board members are responsible for making decisions in the best interest of the organization and not...
9. The board must establish conflict of interest policies regarding board members, staff, volunteers, consultants and other contractors, and adhere to these policies in all dealings. The policies must include an obligation of each board member to disclose all material facts and relationships and refrain from voting on any matter when there is a conflict of interest.

10. The board should establish a process to recruit and select new board members that ensures board members represent the best interests of the organization, the infusion of new ideas and community perspectives, and the preservation of institutional memory via staggered terms and term limits.

11. To demonstrate personal stake in the organization, board members are expected to make personal financial contributions to the nonprofit as well as to raise funds from external sources.

12. Board members (who are not employees) should receive no monetary compensation from the organization.

13. A nonprofit should have an up-to-date board member policies and procedures handbook; an orientation process for new members; and ongoing training regarding conflict of interest policy, financial literacy, legal information, and lobbying and advocacy.

14. A nonprofit should have a code of ethics and conduct for the board.

15. Board meetings should be held at least quarterly, and regular attendance should be expected.

16. At a minimum of every two years, the board should review the organization’s bylaws, mission statement, articles of incorporation, and corporate policies, and amend them as needed to reflect organizational growth and development.

17. The board should fulfill its fiduciary responsibilities for the organization in the following ways:
   a. reviewing and approving new or revised fiscal policies
   b. reviewing and approving the annual budget
   c. reviewing and approving the audit
   d. reviewing financial reports quarterly, at a minimum, and monthly if possible

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e. reviewing and approving the 990 prior to submission, as well as any other federal, state or local filings

18. The board should conduct an annual performance review of the chief executive. The chief executive's performance should be assessed in light of organizational accomplishments, and the total compensation package (salary, raises, bonuses and other benefits) should be reasonable and reflect his/her performance as well as industry standards.

19. The board should establish an organizational transition plan to maintain daily operations during the time of a change in executive or board leadership.

20. The board should actively participate in and approve the organization's strategic plan.

* A trustee is not an “independent trustee” if, at any time during the fiscal year, the trustee: (a) received compensation as an officer or employee from the corporation or a related organization; (b) received compensation or other payments as an independent contractor of $10,000 or more not including expense reimbursement or payment for services as a director; or (c) became involved or had a family member who became involved in a “reportable transaction” with the corporation, whether directly or indirectly through affiliation with another organization.

Generally speaking, reportable transactions include: (1) loans or grants to the director (or the director’s family members or entities in which the director or family members have an ownership interest, collectively “related persons”); (2) compensation to a family member of $10,000 or more; or (3) a business transaction with the director or related persons that exceeds the greater of $10,000 or 1 percent of the organization’s annual revenues, or multiple transactions that exceed in the aggregate $100,000 during the fiscal year. Comply with the IRS definition of independence when filing the Form 990, but remember that independence means more—it takes into account financial and non-financial relationships that could lead a reasonable person to question an individual’s objectivity and loyalty to the organization. The gold standard for independence should be that the board is beyond reproach, in fact and appearance.
Human Resources

Effective management of human resources is essential for creating successful organizational results. Nonprofit organizations should exercise fair and equitable human resource practices that attract and retain qualified individuals. Nonprofits have an obligation to adhere to all legal employment requirements and to provide a safe work environment. Nonprofit organizations should establish specific policies and practices that promote mutual cooperation to advance the organization’s interests, and that reflect appropriate industry standards for remuneration.

Recommended Practices:

1. A nonprofit must comply with all federal, state and local employment laws in hiring and employing personnel. These include the following:
   a. Establishing and abiding by a broad and encompassing anti-harassment and nondiscrimination policy. US
   b. Establishing employee and volunteer record retention policies and procedures that are consistent with applicable laws and best industry practices. US
   c. Having an up-to-date conflict of interest policy and signed disclosure forms for the board, staff, and volunteers. US
   d. Having a whistleblower policy with specific procedures for reporting violations of organizational policy or applicable laws and ensure that those making such reports are protected from repercussions. US
   e. Ensuring all compensation paid is reasonable and substantiated. US
   f. Having a personnel file(s) for each employee that includes all required federal and state documentation, as well as relevant employment, performance, disciplinary action and testing records with supporting documentation. This may be two separate files per employee—one accessible to direct supervisors and one held in confidence due to potential discriminatory information (i.e., health records, demographics, litigation, etc.) US, NE
   g. Having workers’ compensation insurance. NE, IA

2. If the organization employs staff, the board should periodically review its overall compensation structure
including benefits) using industry-based salary and benefit surveys. The board should establish policies on employee benefits, which may include medical insurance, retirement benefits, vacation and other paid time off, etc.

3. A nonprofit should adopt a set of policies and procedures for personnel. All employees should receive a copy of these policies and procedures and should submit a signed acknowledgement of such.

4. In establishing policies and procedures, a nonprofit should consider best industry practices as well as its own unique circumstances.

5. A nonprofit should employ individuals and utilize the help of volunteers suitable for the positions they occupy and committed to the mission, values and objectives of the organization.

6. A nonprofit should strive toward employing staff and volunteers who reflect the diversity of the community, as appropriate for program effectiveness.

7. A nonprofit should support the education and development of personnel and should provide them with opportunities for growth and advancement.

8. A nonprofit organization should provide staff and volunteers with clear, current job descriptions and the tools they need to produce quality work.

9. A nonprofit should provide clear, equitable procedures for taking disciplinary action with staff when necessary.

10. A nonprofit should evaluate staff job performance annually. The board should conduct an annual performance review of the chief executive.

11. A nonprofit should have a system in place for the succession of key employees, most notably for the executive director and key board leadership.
Effective and appropriate use of technology is critical to maintaining a nonprofit organization’s accountability and relevance. A nonprofit should manage information with regard for confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness, and legal compliance. A nonprofit should incorporate appropriate technology into its work to improve its efficiency, efficacy, and accuracy in the achievement of its mission.

**Recommended Practices:**

1. A nonprofit must be in compliance with all regulations and industry standards relating to the types of data the organization collects, transmits, and stores. Examples include health care information under HIPAA, credit card information under PCI DSS, and online information from children under COPPA.

2. A nonprofit must have a written document retention and destruction policy that also covers electronic files and voice mail.

3. A nonprofit should have reliable information systems in place that provide timely, accurate, and relevant information to facilitate workflow and track organizational data.

4. A nonprofit should have a written technology plan that is integrated into its short- and long-term strategic and operational plans.

5. A nonprofit should have a technology policy that prescribes how all organizational information is gathered and stored, how accuracy is maintained, how and what information is backed up, and to whom information is made available. The policy should addresses personal use of the organization’s information and technology and include security measures for remote access to proprietary/confidential information.

6. A nonprofit should have a social media policy that outlines clear rules around the use of social media and designates one person to oversee social media efforts.

7. A nonprofit should designate responsibility for maintaining the organization's information systems to more than one individual; one person should be primary and at least one should be back-up.
8. All staff and volunteers should have current training on those systems that are relevant to their work.

9. A nonprofit should maintain and be ready to implement a catastrophic recovery plan. The plan should include hardware and software inventory for insurance purposes. Off-site recovery should include back-up copies of key data and information, and should allow for remote and/or alternative access in the event of an emergency.

10. A nonprofit should invest in appropriate and up-to-date telecommunications equipment, compatible computer hardware and software, and internet access to enhance its ability to achieve its mission.

11. A nonprofit should allocate sufficient resources to train its board, employees and volunteers in the appropriate use of its technology equipment.

12. A nonprofit should monitor ongoing technological developments that have the potential to impact its information systems or mission.
Organizational planning is a process that defines a nonprofit’s overall direction, activities and strategies to fulfill its mission. Nonprofits have a duty to engage in sound planning to define a clear vision for the future. In order to best position organizations to achieve their goals, nonprofit planning should include input from constituents and should be intentional and ongoing.

**Recommended Practices:**

1. A nonprofit must have a clearly defined, written mission statement that guides the overall aims and activities of the organization and is linked to the organization’s values and vision for the future. **US**

2. A nonprofit should have a clear, motivating vision statement about the organization’s future and a values statement that reflects core beliefs and principles and drives the work done by the organization. The board and staff should be able to articulate a shared vision for the organization. **US**

3. A nonprofit’s mission, vision, and values should be reviewed by the board periodically to consider societal and community changes.

4. A nonprofit must have all necessary/appropriate insurance (i.e., general liability, property, workers' compensation, directors and officers, etc.) to comply with the law and to protect the organization, employees, volunteers, and board members. **US, NE, IA**

5. A nonprofit’s bylaws should include board liability and indemnification language that clearly define the circumstances under which the organization will indemnify its directors, officers, volunteers, and employees against claims arising from the performance of their duties.

6. In planning for its activities, a nonprofit should be responsive to community needs and should solicit input from a variety of sources such as staff, board members, and other constituents.

7. A nonprofit should openly communicate with counterparts in its field to share best practices, ensure effective resource allocation, and prevent duplication of services.
8. Every three to five years, a nonprofit should create a written strategic plan. Annually, it should formulate a written operational plan which aligns with the strategic plan and specifies how organizational activities will be implemented.

  a. The strategic plan reflects the results of an environmental assessment that includes information on strengths/challenges the organization faces, as well as opportunities for, and perceived threats to mission achievement.

  b. The plan includes clearly defined, measurable goals and objectives that are set by the organization to achieve its mission.

  c. The plan clearly defines specific operational, program, financial, fundraising, communication, personnel and evaluation activities; delineates timelines; and assigns specific responsibility for implementation.

  d. The plan clearly identifies goals and performance measurements.

  e. The plan is tied to an approved budget.

  f. The plan provides a framework for regular progress reports and is reviewed and updated regularly by staff and board members.

9. Nonprofits should establish a risk management plan that protects the organization’s assets—its property, financial and human resources, documents, programmatic content and material. The plan should include (but not be limited to) a crisis communication plan; data backup and recovery plan; fund development (diversification of funds) plan; and a leadership/executive transition plan.
PUBLIC POLICY & ADVOCACY

Nonprofit organizations play a central role in the democratic process by providing a means for public participation and promotion of the common good. As entities that serve the public, nonprofit organizations should engage in public policy and advocacy activities to promote constituent, organizational and sector interests. Nonprofits should work to promote broad public participation in public policy and advocacy efforts and should provide assistance to the public in these efforts.

Recommended Practices:

1. A nonprofit should advocate publicly on behalf of its mission and organizational values.

2. A nonprofit should participate in and support the formation and amendment of public policy consistent with its mission.

3. A nonprofit should continuously maintain a sound understanding of the current public climate and the resulting impact on policy.

4. For public policy and advocacy activities, a nonprofit should adopt a written policy that clarifies the scope of the work, as well as the time and resources to be allocated to those activities.

5. A nonprofit should proactively develop strategies to address key issues facing the organization, its constituencies and the nonprofit sector, and it should include its stakeholders in those efforts.

6. A nonprofit should encourage board members, staff, volunteers, and constituents to act as advocates and ambassadors for the organization and the entire nonprofit sector. The organization should make sure that these advocates are knowledgeable and prepared to speak on its behalf, including the distinction between personal opinion and organizational positions.

7. A nonprofit should assist its constituencies in public and civic engagement by encouraging voting and other citizen participation in local, state and federal policy-making efforts.

8. A nonprofit that engages in lobbying activities that are subject to state and federal registration and reporting requirements must file accurate and
timely registrations and reports on its lobbying activities. US, NE, IA

9. A nonprofit engaged in promoting public participation must ensure that the activities of the organization are nonpartisan and within permissible lobbying limitations. US

10. A nonprofit board should consider both the 501(h) election and the “insubstantial part” rule related to financial expenditures for lobbying to determine which reporting mechanism is most appropriate for the organization.

11. Information provided to policy makers, the media, and the public becomes a matter of public record. Therefore, a nonprofit should ensure that the information is timely and accurate, and that the social and political context of the information is clear in order to avoid misunderstanding or manipulation of the message.
Strategic alliances can take many forms and can serve multiple purposes, such as partnership, sharing of resources and improved operational efficiency. Strategic alliances help to strengthen individual nonprofit capacity as well as the capacity of the sector as a whole. Nonprofit organizations should be open to strategic alliances and, when appropriate, should partner with other organizations to enhance their capability to achieve desired results. Nonprofits should work to promote cooperation and coordination among a variety of entities to avoid unproductive duplication of services and to maximize the resources available to the communities they serve.

**Recommended Practices:**

1. A nonprofit should be open to strategic alliances as a means to help achieve goals, improve effectiveness and efficiency, ensure effective use of resources, improve services, and strengthen community connections with constituents and others.

2. Decisions regarding alliances should reflect the strategic goals of an organization and should impact the brand and image of the organization positively. A nonprofit should carefully consider how entering into strategic alliances will affect all parties involved and identify the key staff, board, and other stakeholders that should be involved.

3. A nonprofit should know about and coordinate with other organizations providing similar or complementary services in its community and/or service area.

4. A nonprofit should openly communicate with other nonprofits to gather information and share lessons learned and best practices.

5. On a regular basis, a nonprofit board should conduct an environmental scan to identify organizations providing similar services and to assess its relationship to those organizations.

6. While most nonprofits pursue both cooperative and competitive relationships, a nonprofit should identify, promote, and provide referrals to other organizations that may be better able to meet the needs of constituents.

7. When appropriate, a nonprofit should foster relationships with similar...
organizations; state, regional, and national associations; government; and business to ensure effective use of charitable resources and to advance its mission.

8. A nonprofit should work to establish communication channels, mutual understanding, and natural alliances among the government, nonprofit and for-profit sectors.

9. When appropriate, larger nonprofits should assist smaller and/or less experienced nonprofits through alliances and resource sharing.

10. A nonprofit should have written policies and procedures that guide it in assessing, establishing, working in, and dissolving strategic alliances. The organization should have a written memo of agreement/understanding for every collaborative commitment.

11. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility of fiscal sponsorship for another organization.
As entities that serve the public, nonprofits have an ethical obligation to conduct their activities in a way that is accountable and transparent to their constituents. Nonprofits should engage in ongoing efforts to openly convey information to the public about their missions, activities and decision-making processes. This information should be easily accessible to the public and should create external visibility, public understanding and trust in the organization.

Recommended Practices:

1. A nonprofit must comply with all legal, tax, financial and other filing/reporting procedures required by the federal government, including the 990. US

2. A nonprofit must comply with all legal, tax, financial and other filing/reporting procedures required by the state, including the biennial report, liquor and gaming licenses (if applicable), and registration of professional commercial fundraisers (IA only). NE, IA

3. A nonprofit should have a written conflict of interest policy that is signed by board members, staff and volunteers. US

4. A nonprofit should have a system in place with specific procedures for reporting violations of organizational policy or applicable laws and ensure that those making such reports are protected from repercussions. (“whistleblower protection policy”). US

5. A nonprofit must meet all federal and state requirements for disclosure. US, NE, IA

This includes having the following as readily accessible permanent records:

- a. EIN number
- b. IRS determination letter
- c. articles of incorporation
- d. bylaws
- e. resolutions, board meeting minutes, and records of actions taken by the board
- f. accounting records
- g. a current list of board members and current membership list (if applicable).

Federal requirements state that a nonprofit must provide the last three
years’ information returns (Form 990 or its variants) and Form 1023 as attachments, as follows:

a. public access must be provided immediately on request by allowing inspection of the documents at the organization's office or offices;

b. copies of the documents must be provided within 30 days upon written request;

c. organizations that make their materials widely available through publication on their own website do not have to provide copies;

d. if the IRS determines that the organization is being subjected to a harassment campaign, copies do not have to be provided; and

e. 501(c)(3) organizations not classified as private foundations are not required to publicly disclose the list of names and addresses of individual contributors and may block out that section of Form 990 and other materials for public viewing.

6. A nonprofit organization must have a written, mandatory document retention and destruction policy, including guidelines for handling electronic files and voicemail, back-up procedures, archiving of documents and regular check-ups of the reliability of the system. US

7. A nonprofit has a financial obligation to use its resources responsibly for the purpose of serving the public interest. Financial audits should be approved by the organization’s board and certified by the Executive Director and the CFO of the organization.

8. A nonprofit has a responsibility to establish and regularly measure clearly defined levels of performance in its activities and to share those results with the public.

9. A nonprofit has a responsibility to follow established, professional standards for the nonprofit sector, its subsector and its particular activity area(s). A nonprofit should have a written code of ethics to which all board members, staff, and volunteers adhere.

10. Constituents of nonprofits should be provided with ongoing opportunities to interact with the board and management regarding the organization’s activities.

11. In serving the public trust, a nonprofit should make information about its operations, governance, finances,
programs and activities widely available to the public. In the form of an annual report, this should include:

a. an explanation of the organization’s mission, activities, and results;

b. an explanation of how individuals can access programs/services;

c. overall financial information, including income and expense statements, balance sheet, functional expense allocation; and

d. a list of board members, staff, supporters and donors.

12. To promote overall accountability within the sector, a nonprofit should openly communicate with other nonprofits to share and gather information on lessons learned and best practices.

13. Information regarding fees and services should be readily available to the public.

14. A nonprofit should ensure confidentiality and non-discriminatory service to its constituents.
Volunteer Engagement

Effective volunteer engagement is critical to the success of a nonprofit. The time, talent, and treasure provided by volunteers help an organization maximize results in working toward its mission. Nonprofit organizations should exercise fair and equitable volunteer management practices that attract and retain qualified individuals. An effectively-managed volunteer program can build an organization’s efficiency, enhance community engagement, provide specialized expertise, and increase the community’s awareness of issues and resources through a knowledgeable pool of ambassadors and donors.

The following recommended practices are adapted from training materials of the Points of Light Institute www.pointsoflight.org.

Recommended Practices:

1. A nonprofit should develop a volunteer engagement plan that includes the following elements:
   a. Purpose statement – identify what benefit(s) the organization gains from the effective use of volunteers; all members of the organization (including board members) should recognize the role that volunteers play in achieving its mission.
   b. Organizational assessment – assess the organization’s readiness for volunteers. Are all staff on board with the purpose and role of volunteers? Is the current staffing level sufficient to effectively support and manage a volunteer program? Is the organization aware of liability and risk issues as well as insurance needs?
   c. Budget – does the organization have the financial resources to support a volunteer program?
   d. Roles and responsibilities – roles, responsibilities and relationships between staff and volunteers should be clearly delineated and communicated to avoid confusion and potential human resource law violations.

2. A written position description should be created for every volunteer position within the organization. This position description should be shared with potential volunteers during the recruitment process and should be used as a tool for ongoing feedback and
evaluation related to volunteer performance.

3. Volunteer recruitment activities should be targeted and specific, clearly identifying the work to be done, the hours to be committed, and the intended impacts of the volunteer activity.

4. A nonprofit should establish screening procedures to ensure the safety of clients and minimize potential liability to the organization.

5. Volunteer assignments should be made with careful consideration of the volunteer’s skills, needs, and interests.

6. A nonprofit should construct an intentional system for orientation and training of volunteers wherein the volunteers are oriented and trained for the specific skills and knowledge needed to perform their volunteer roles, as well as to understand the limits of their work and the latitude they may have for decision-making on behalf of the organization. Each volunteer should clearly understand how his/her role is directly related to advancing the mission of the organization. Resources for orientation and training include:

   a. Current written volunteer policies and procedures that are accessible to all volunteers, including attendance policies, confidentiality policies, grievance procedures and other key information to minimize risk and maximize effectiveness.

   b. A system whereby volunteers are trained with the specific skills and knowledge needed to perform their volunteer role.

   c. An ongoing orientation/communication plan to keep volunteers apprised of changes within the organization as well as enhanced opportunities for volunteer involvement.

7. The volunteer program should be structured so that each volunteer has a direct connection to an identified supervisor, and understands with whom to communicate in the event the supervisor is unavailable. The volunteer should meet with his/her supervisor prior to fulfilling any duties to ensure roles and expectations are clear.

8. The nonprofit organization should have a clear and documented grievance procedure whereby volunteers may
address issues including (but not limited to) harassment and discrimination.

9. The nonprofit organization should have clearly articulated and documented accountability and discipline procedures for volunteers that address lack of performance as well as policy violations.

10. The nonprofit organization should have a thoughtful recognition system which provides individual and group recognition, and celebrates the impact of volunteers (dollar value of time invested as well as issue impacts and outcomes).

11. The performance of a volunteer should be evaluated regularly (at least annually) with the supervisor through a formal process. Evaluation should include discussing current strengths, areas for improvement, and mission impact. Additionally, if a volunteer is not effectively performing his/her duties, a process should exist for thoughtful reassignment and/or release of the volunteer.

**Note: the depth of performance evaluations should be appropriate to the role and scope of service the volunteer provides. One-time (or episodic) volunteers can be evaluated in much less detail.

12. The volunteer program as a whole should be evaluated annually to assess cost and benefits of the program, to document impact on mission achievement, and to direct future volunteer initiatives.