

BEST PRACTICES CHECKLIST

FOR EFFECTIVE NONPROFIT MANAGEMENT

OVERVIEW

The board of trustees of a nonprofit organization has a fiduciary responsibility relating to policies, procedures and governance matters. The organization should conduct an annual review of its mission statement, structure, compliance policies, and financial viability in order to confirm that the business operation is being conducted in a manner consistent with the mission statement of the organization, as well as State and Federal law. This summary provides a health checklist that should be conducted annually by the organization.

1. Compliance with State and Federal Law
 - Confirm that the organizational documents are consistent with the business operation.
2. Code of Ethics Policy
 - The Code of Ethics Policy is current.
 - The Directors and Officers have a working knowledge of the policies and how they should be implemented.
3. Confirm Existence and Enforceability of Policies and Procedures of the Organization
 - Conflict of Interest Policy is current and enforced.
 - Whistleblower Policy is reviewed annually.
 - Directors and Officers Errors and Omissions Policy.
4. Document Retention Policy and Enforcement Procedures
 - The Document Retention Policy is consistent with the Internal Revenue Code and State Law.
5. Financial Viability of the Organization
 - Balance Sheet review of assets and liabilities; human resources.



GOVERNANCE

1. Mission Statement for the Organization
 - The Board has charged members with the responsibility of reviewing the Mission Statement and it has confirmed that operation of the organization is consistent with its mission.
2. Board Structure
 - Size and expertise of board members should be reviewed annually. Size of Board should accommodate the business operation; i.e., the more complicated the business, the more there is a need for a variety of skills among board members. Minimum size is a five-member board.
 - Two-thirds of the members should be independent. Independent is defined as members who: (1) are not compensated by the organization as employees or independent contractors; (2) do not have their compensation determined by individuals who are compensated by the organization; or (3) do not receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization.
 - There is a process for Board oversight and the annual evaluation of the performance of the chief executive officer of the organization; conduct an evaluation prior to any change in that officer's compensation.
 - The Board has an established and systematic process for orienting, educating and communicating with its members relating to their ethical and fiduciary responsibilities.
 - There is a process for evaluating the performance of Board members.

- ❑ The Board has an established policy setting forth the length of terms and the number of consecutive terms a board member may serve.
- ❑ The Board has a process for: (1) reviewing the organization's mission statement against performance; (2) reviewing the strategic and financial plans against performance; (3) review of 990 filing by Board members on a consistent basis.
- ❑ Board members are generally expected to serve without compensation, other than reimbursement for expenses incurred to fulfill their board duties.

FINANCIAL OVERSIGHT

- ❑ The organization maintains complete, current and accurate financial records. Management is required to provide the Board with timely reports of the organization's financial activities. Qualified, independent financial assessment on an audited or review basis is completed annually.
- ❑ There are policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly, in accordance with all legal requirements. The full board reviews and approves the organization's annual budget and monitors actual performance against the budget.
- ❑ Organization should NOT provide loans (or the equivalent, such as loan guarantees, purchasing or transferring ownership of a residence or office, or relieving a debt or lease obligation) to directors, officers or trustees.
- ❑ What is the percentage of annual budget expended on programs that pursue the mission? Does the budget provide sufficient resources for effective administration of the organization? If the organization solicits contributions, does the budget provide sufficient resources for appropriate fundraising activities?
- ❑ What is the policy for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the organization? The policy should describe the types of expenses that can be paid for or reimbursed and the documentation required. The policy should require that travel on behalf of the organization is to be undertaken in a cost-effective manner.

FUNDRAISING

- ❑ Solicitation materials and other communications addressed to donors and the public must clearly identify the organization and be accurate and truthful.
- ❑ Contributions must be used for purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor.
- ❑ Does the organization provide donors with specific acknowledgments of charitable contributions, in accordance with IRS requirements, as well as information to facilitate the donors' compliance with tax law requirements?
- ❑ Has the organization adopted clear policies, based on its specific exempt purpose, to determine whether accepting a gift would compromise its ethics, financial circumstances, program focus, or other interests?
- ❑ What type of training and supervision are provided to those soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws? It is imperative that anyone soliciting funds does not employ techniques that are coercive, intimidating or intended to harass potential donors.
- ❑ How does the organization compensate internal or external fundraisers? Compensation should not be based upon a commission or a percentage of the amount raised.



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Gary R. Pannone is the Managing Partner of Pannone Lopes Devereaux & West LLC and has been representing closely held business owners for thirty years. He is an experienced business lawyer specializing in the areas of business formations, corporate restructuring, mergers, acquisitions, corporate compliance and health care. His practice includes the representation of nonprofit organizations with respect to consolidations, mergers and acquisitions.



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