



WEST VIRGINIA
**principles
& practices**
FOR NONPROFIT EXCELLENCE

West Virginia Nonprofit Association

2015

WVNPA • P.O. Box 1452 • Lewisburg, WV 24901
304-667-2248 • www.wvnpa.org

West Virginia Principles & Practices for Nonprofit Excellence

Introduction

West Virginia's nonprofit organizations provide a wide variety of valuable services and products that are essential to communities across the state. The success of these nonprofits is dependent upon public confidence and support. The West Virginia Nonprofit Association (WVNPA) has developed these Principles & Practices to serve as a model for West Virginia nonprofit organizations to guide their operations and practices, enabling them to meet their missions.

The Principles & Practices are intended to describe best practices in managing and governing nonprofit organizations. These principles provide benchmarks to help an organization determine how efficiently and effectively it is working towards its mission and provide recommendations for improvement. The Principles are organized into eight categories, which are described below.

Categories of Principles & Practices include:

1. *Mission & Programs*
2. *Planning*
3. *Governance*
4. *Financial Management*
5. *Legal/Compliance*
6. *Human Resources*
7. *Marketing & Communication*
8. *Outcomes & Evaluation*

West Virginia nonprofit organizations can also take advantage of the resources available online at <http://wvnpa.org/principles>. The resources include an online self-assessment that allows an organization to identify areas that may need more attention and which benchmarks are being met. This assessment is also paired with an extensive resource library to help organizations in those areas where they may need help in following these principles and practices.

The West Virginia Nonprofit Association extends its deep gratitude to Dr. Susan Aloi, of West Virginia Wesleyan College, as well as Nonprofit Association of the Midlands, Michigan Nonprofit Association, and Minnesota Council of Nonprofits for their input and generosity in the constant evolution and enhancement of this resource.

1. Mission & Programs

Nonprofits are founded to accomplish a stated purpose through specific activities that contribute to the public good. A nonprofit organization requires a clearly-defined statement of mission, and its programs should effectively and efficiently contribute to the attainment of this mission.

1.a. The nonprofit organization has a clearly defined, written mission statement that guides the overall aims and activities of the organization; identification of core values and a vision statement should be considered.

1.b. The mission and vision statements are reviewed, revised, and/or reaffirmed periodically to confirm the organization's course as context and conditions change.

1.c. The board of directors and the staff are able to articulate a shared vision for the organization that guides the establishment of goals and objectives.

1.d. Programs and services are derived from the organization's mission, vision, and values and are linked to them through its strategic plan.

1.e. In planning for its activities, the nonprofit is responsive to community needs, soliciting input from a variety of sources including staff, board, donors, and constituents.

2. Planning

A nonprofit organization engages in planning to define its overall direction and identify specific activities that will enable it to fulfill its mission. Good planning requires continuous monitoring of the external environment, as well as a keen awareness of the organization's internal capacity. As George Keller (1983) so aptly stated, planning "entails a belief that you can, to some extent, shape your own destiny."

2.a. Strategic planning is undertaken every three to five years. The plan is monitored at least quarterly by the board to determine progress toward goals and to make adjustments on the plan based on experience and new pertinent information.

2.b. The strategic plan sets forth general goals for all aspects of the organization's operations. This includes programmatic services, administrative support services, funding, budgeting, personnel needs, marketing and public relations.

2.c. The board has the responsibility for adopting the strategic plan. The executive director and staff are actively involved in the planning process with counsel from other organizational constituencies.

2.d. Each goal is broken down into specific actions (objectives/strategies/directions) required to achieve the goals, including timelines and personnel designated to carry out the action.

2.e. The strategic plan identifies the desired outcomes of the plan for the organization's constituencies and the method for evaluating the achievement of those outcomes.

2.f. Adequate funding is allocated toward executing the strategic plan.

2.g. The nonprofit has an organizational/operational plan for implementation of all its activities, including operations, program strategies, financial management, fundraising, communications, and risk and crisis management.

2.h. The organization regularly evaluates its programs/services with input from all stakeholders, asking the right questions, collecting the right information, and using that data to strengthen planning and decision-making.

3. Governance

A nonprofit's board of directors is the organization's steward and is responsible for developing and maintaining public trust by ensuring effective movement toward the organization's mission. To be effective, the role of the board members needs to be clearly defined and focus on providing overall leadership and strategic direction to the organization. Nonprofit boards set policy, ensure that the organization has adequate resources to carry out its mission, and provides oversight and direction for the chief executive.

3.a Board Roles

3.a.1. The organization maintains up- to- date articles of incorporation and bylaws that comply with state law; these documents reflect the role of the CEO and that of the Board.

3.a.2. The organization has a clear description of the roles, responsibilities and expectations of board members, including standards for attendance at board meetings and participation on committees.

3.a.3. The board of directors, along with staff, actively participates in planning for the organization.

3.a.4. The board actively sets policy and ensures that the organization has adequate resources to carry out its mission.

3.a.5. The board hires the chief executive, its only direct report, provides direct oversight and direction for the CEO, evaluates the CEO's performance, and determines a competitive compensation for the CEO.

3.a.6. The board of directors has established a succession plan to maintain daily operation during the time of a change in executive or board leadership.

3.a.7. The board of directors reviews and approves an annual budget for the organization.

3.a.8. Directors are held to basic legal duties as a matter of state law, common law, and federal law. The core fiduciary duties are the duty of care, duty of loyalty, and duty of obedience to mission.

3.a Board Roles (*continued*)

3.a.9. The board evaluates its own effectiveness in upholding the public interest(s) served by the organization.

3.a.10. The board also conducts a periodic evaluation of its performance as a governing body and of the performance of its individual members.

3.b Board Structure

3.b.1. The number, terms, and selection of board members are designed to create an effective governance structure, which can help the organization reach its goals.

3.b.2. The members of the board are chosen to best represent the interests of the organization and reflect the diversity of its constituents.

3.b.3. Committees and task forces are effectively designed to facilitate the work of the board. Committee functions follow the board's role of governance; they do not mirror staff responsibilities.

3.b.4. Board meetings are held at least quarterly and directors attend regularly.

3.b.5. The board has adopted a conflict of interest policy that requires disclosure of actual and potential conflicts of interest, establishes procedures for dealing with conflict of interest transactions, and complies with all applicable laws.

3.b.6. The organization maintains as permanent records the minutes of all meetings, and financial and membership information.

3.b.7. The board of directors has established a process for selecting new board members that ensures adequate infusion of new ideas and community perspectives, while preserving institutional memory.

4. Finances

Nonprofits have an obligation to act as responsible stewards in managing their financial resources, and must always comply with a diverse array of legally-required financial regulations. Funds are a crucial resource for the nonprofit, and must be obtained and managed effectively and ethically. A nonprofit organization's fundraising program should be grounded in truthfulness and responsible stewardship.

4.a Fund Development

4.a.1. In soliciting financial support, the organization is committed to honoring donors' intents, respecting their privacy, providing accurate information about how gifts will be spent, and employing ethical practices.

4.a.2. The organization has established policies and procedures for accepting gifts other than cash, for properly accounting for gifts in accordance with generally accepted accounting principles, and for complying with IRS rules on acknowledging gifts and notifying donors of the value of any benefits conferred.

4.a.3. Fundraising communications include clear, accurate, and honest information about the organization, its activities, and the intended use of funds.

4.a.4. The nonprofit balances publicly recognizing charitable contributions with maintaining donor confidentiality, when requested.

4.a.5. The organization does not share, trade, or sell contact information for any donor without prior permission from the donor.

4.a.6. The board demonstrates responsibility for raising sufficient funds.

4.b Financial Management

4.b.1. The nonprofit complies with all financial regulations, such as withholding and payment of federal, state, and Social Security taxes and the management and use of restricted funds.

4.b Financial Management (*continued*)

4.b.2. The organization is registered with the WV State Tax Department and the WV Business Division.

4.b.3. The nonprofit completes the annual IRS Form 990.

4.b.4. The organization has audited financial statements if its gross revenues exceed \$200,000, or if otherwise required.

4.b.5. The organization periodically assesses the need for an audit of financial statements. A decision to forgo an audit must be approved by the board of directors, and shall be reflected in the minutes for the meeting at which the approval was made.

4.b.6. The organization has a system in place to protect individuals who report financial misconduct from any negative repercussion for doing so.

4.b.7. Consistent, timely, and accurate financial reports are prepared on no less than a quarterly basis.

4.b.8. The nonprofit ensures separation of financial duties to serve as a check-and-balance system to prevent theft, fraud, or inaccurate reporting.

4.b.9. The board has a risk management process in place to identify and analyze risks of loss (including risk reduction and avoidance).

4.b.10. The board has established policies for bank accounts, handling cash, receivables and payables, writing and signing checks, segregation of duties in processing financial transactions, and otherwise provides for appropriate internal controls.

5. Legal / Compliance

The nonprofit organization must maintain adequate records and comply with federal and state regulatory requirements. The nonprofit's board is responsible for ensuring that appropriate systems are in place to provide required information, and should periodically review and address regulatory and liability concerns.

- 5.a. The Board understands and fulfills its fiduciary duties, the duty of care, the duty of loyalty and the duty of obedience, and monitors the organization's compliance with all applicable laws and regulations.
- 5.b. Every board member receives training on the standards of conduct required by the fundamental fiduciary duties under the law.
- 5.c. The organization has a policy which prescribes the length of time various records are to be retained and provides procedures for halting document destruction if an official investigation is initiated or anticipated.
- 5.d. The nonprofit complies with all legally- required reporting procedures.
- 5.e. IRS Form 990 for the previous three years and IRS Form 1023 (application for recognition of exemption) are made publicly available.
- 5.f. An annual report is published, including explanation of mission, activities, and results; explanation of how the programs and services are evaluated; overall financial information; and a list of board members, management staff, and appropriate constituents.
- 5.g. The nonprofit periodically conducts an internal review of the organization's compliance with existing legal, regulatory and financial reporting requirements and provides a summary of the results of the review to members of the board of directors.
- 5.h. The nonprofit is aware of and complies with all applicable federal, state, and local laws. This may include, but is not limited to, the following activities: complying with laws and regulations related to fundraising, licensing, financial accountability, document retention and destruction, human resources, lobbying and political advocacy, and taxation.

5. Legal / Compliance (*continued*)

5.i. The organization ensures non-discriminatory service to its constituents.

5.j. The organization periodically assesses the need for insurance coverage in light of the nature and extent of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or directors and officers liability insurance coverage shall only be made by the board of directors and shall be reflected in the minutes for the meeting at which the decision was made.

6. Human Resources

Employees and volunteers are essential to a nonprofit organization and its ability to achieve its mission and meet the public need. A nonprofit should develop, disseminate, and consistently apply specific human-resource policies. These policies should be fair, establish clear expectations, and provide effective performance evaluation of staff and volunteers.

6.a. The organization has systems for recruiting, training and managing employees and volunteers, and provides its employees with a written description of employment policies.

6.b. The organization has an employee handbook or other document which clearly explains policies on vacation, family medical leave, pay and benefits, and which facilitates compliance with applicable employment laws and regulations.

6.c. The organization has established a clear conflict-of-interest policy that includes disclosure of relationships, nepotism, and interested party transactions.

6.d. The organization conducts background checks on employees and volunteers.

6.e. The organization continually provides a safe and healthy work environment.

6.f. Personnel receive performance evaluations on at least an annual basis.

6.g. The organization has written policies and job descriptions for volunteer involvement, provides training and professional development opportunities for volunteers, and takes annual measurement of the impacts of volunteers.

6. h. The organization has developed human resource policies that address:

- position descriptions
- interview standards
- terms and conditions of employment
- compensation and benefits
- training and development
- performance review
- promotion policies
- disciplinary grounds
- termination grounds and procedures

6. Human Resources (*continued*)

- conflict resolution procedures
- grievance procedure
- EEO/anti-discrimination rules
- safety procedures
- anti-harassment policies
- requirements for drug-free workplace

7. Marketing & Communication

To further its mission, a nonprofit organization needs a plan to promote the needs and contributions of the organization, and to ensure that the related marketing strategies are aligned with the mission of the organization. Effective internal communication is essential to motivate and organize employees and volunteers. External communication must be planned to raise public consciousness of the organization and to promote its programs and services.

7.a. The organization's marketing promotes alignment by linking mission, strategy, programs and public communication.

7.b. The organization has a clearly defined, written marketing & communication plan that guides both internal and external communications and supports the organization's strategic plan.

7.c. The marketing & communication plan includes goals, target audiences, key messages, strategies, tools, intended outcomes and a means to evaluate its impact.

7.d. The nonprofit has clearly identified a spokesperson who is authorized to make public statements about the organization. All internal constituents are aware of who is designated as the spokesperson.

7.e. Information provided to policy makers, the media, and the general public becomes a matter of public record. Therefore, the nonprofit ensures that the information is timely and accurate, and that the social and political context of the information is clear to avoid misunderstanding or manipulation of the message.

7.f. The nonprofit has a social media use policy that protects the organization's reputation.

7.g. In serving the public trust, the nonprofit produces an annual report that contains information regarding activities and performance.

7.h. The nonprofit has a written plan for communication with the media, public and internal constituencies in time of crisis. The crisis communication plan clearly identifies roles, responsibilities and tasks for key staff leaders.

6. Marketing & Communications (*continued*)

7.i. The organization consults copyright or trademark requirements restricting use of others' work, and copyrights or trademarks organizational materials as appropriate.

7.j. The nonprofit has established and implemented a clear policy regarding confidentiality of certain communications, images, and personal information.

8. Outcomes & Evaluation

Nonprofits should regularly measure their performance both in terms of effectiveness of their outcomes and results, and efficiency of the operations designed to deliver the programs and services essential to their mission. Evaluation should be appropriate to the size and mission of the organization, and the resulting data should be used to continuously improve the quality of the nonprofit's processes, programs, and activities.

8.a. The organization has developed and implemented ongoing and sustainable procedures for evaluating its programs, processes and outcomes in relation to its mission.

8.b. The nonprofit regularly monitors the satisfaction of its stakeholders. Stakeholders include staff, board, volunteers, funders, clients, community members, partners and other key constituents.

8.c. Feedback from stakeholders is used to evaluate the organization's programmatic and organizational effectiveness, and a grievance procedure is in place to address complaints.

8.d. Performance measures are realistic, specific, measurable, and appropriate to the size and scope of the organization and its constituents.

8.e. The nonprofit's performance measures are appropriate to the activity being evaluated, and tracked over time to inform efforts for continuous improvement. Measurement should include:

- information on effectiveness and efficiency
- information on the fidelity of the delivered programming
- both qualitative and quantitative data.

8.f. Evaluation results are used to strengthen and improve the organization's programs and activities by incorporating evaluation findings into strategic and other planning processes, and to justify expenditures as appropriate.

8.g. The organization's personnel is trained in evaluation methods, so as to improve their understanding and utilization of information derived from evaluation activities.

8. Outcomes & Evaluation (*continued*)

8.h. When possible, a nonprofit's evaluation measures reflect those generally accepted within the field, allowing for local comparisons against benchmarks established from rigorous studies

8.i. The nonprofit assesses the usefulness and accuracy of current evaluation practices, and changes them as needed in order to improve program effectiveness.