

BEST PRACTICES CHECKLIST FOR NONPROFITS

Financial Management

- The nonprofit has a good financial plan that provides for financial resources that support the programs and services consistent with the nonprofit's mission.
- The nonprofit produces and reviews financial statements regularly that are reviewed by both the board of directors and a CPA. See Required Documents for the Financial Management Standard at the end of this section.
- The nonprofit utilizes a strategic budgeting process that reflects the nonprofit's needs and objectives.
- The nonprofit develops an annual budget and regularly monitors the budget to determine/evaluate/respond to any variations.
- The nonprofit provides financial information to interested parties such as the board of directors and grantors, particularly for decision-making purposes.
- The nonprofit has a diversity of resources; analyzes its mix of public and private funding at least annually; projects future gains and losses in various sources of revenue; and has a contingency plan for responding to unexpected reductions or increases in any of these resources. Are there known events that may impact your fiscal situation?
- If the nonprofit liabilities exceed assets (the current statement of revenues and expenses show a deficit), there is a realistic plan to decrease these liabilities.
- If a line of credit exists, does it hit \$0 at any point during the fiscal year?
- The nonprofit has a realistic fundraising plan with activities and goals. Are the goals in the fundraising plan clearly tied to the annual budget? Are staff and volunteers who have primary responsibility for fundraising identified? Be sure you can describe who is responsible for fundraising and his/her role.
- The nonprofit has formal internal controls governing all financial operations. For example, does the nonprofit have written policies that govern separation of responsibilities with respect to receiving, recording and depositing checks, purchasing, expense accounts and compensation with oversight from senior staff and the board?
- The nonprofit has adequate cash flow for normal operations. (Typically, Federal and State governments pay grant money in advance. Payment is made 30-60 days after submission of invoices by programs.)

- The nonprofit has less than 50% of accounts receivable 120 days or older.
- The nonprofit does not utilize restricted funds to subsidize current year expenses.
- The nonprofit has specific plans to meet any cash and in-kind matches that are required by a grant.
- The nonprofit prepares an annual report, including statements of financial condition, revenue and expense and makes this annual report available to interested persons and stakeholders.
- The nonprofit has and adheres to board policies and guidelines for management of lines of credit, endowments funds and other secured/unsecured funds (if applicable).
- The nonprofit has a written Policy On Reserves explaining how funds are designated to cover unexpected expenses and what the nonprofit plans to do with unexpended revenues at the end of the fiscal year.
- The nonprofit has at least 60 days of operating reserves in cash or cash equivalent unrestricted assets.
- The nonprofit has a development plan with measureable targets, deadlines and responsible parties and the goals tie directly to the annual budget.
- The nonprofit has a well-developed and comprehensive evaluation system used to measure and report the impact of each of its programs and services that can be used for grant reporting and stakeholder/public accountability.
- 100% of the board financially contributes to the nonprofit.
- The nonprofit has previously managed a federal or state grant.
- The nonprofit has a computerized accounting system.

Required Documents for the Financial Management Standard:

- Current balance sheet.
- Current statement of revenues and expenses which includes comparison of actual v. budget.
- Current budget
- Fundraising plan
- Reserves policy
- Current audit or independent review
- Optional Documents:
 - Financial policies and procedures

- Fundraising policies

Governance & Operations

- The nonprofit has an active and independent board of directors and/or other governing body. (Independent is defined as a majority of board members who are neither employees of the nonprofit nor family members of employees or other board members.)
- The governing board formulates budgetary priorities, adopts an annual budget prior to the start of the fiscal year and adopts a funding plan for securing resources to implement the nonprofit's annual goals and objectives.
- The minutes of the board reflect that the governing board sets policy, garners resources, assesses needs and approves/establishes programs.
- The chief professional officer of the nonprofit is selected by, reports to and is annually evaluated by the governing board.
- The membership, structure and procedures of the governing board are designed to enable the nonprofit to effectively perform its duties.
- The composition of the governing board includes the different kinds of skills, knowledge and experience necessary for the performance of its duties (e.g., lawyer, accountant, fundraising expert, public relations).
- Each member of the board understands and can articulate the nonprofit's mission. The board reviews the nonprofit mission statement periodically, revises it as needed and ensures the goals of each program are consistent with the mission.
- The board regularly examines the nonprofit financial statements and discusses questions, concerns, issues, i.e. the board takes responsibility for the financial health of the nonprofit.
- A realistic and well-considered budget is prepared and approved by the board. The board ensures that management has realistically planned and monitored cash flow to be able to meet nonprofit obligations.
- The Governing Board has procedures for taking action on essential matters between its regularly scheduled meetings and when it is not possible for the full body to meet.
- The governing board meets at least quarterly, has attendance expectations and tracks attendance.

- The governing board participates in a multi-year planning process every 2-5 years with staff that identifies internal and external conditions. The governing board approves the plan and reviews the plan's progress annually.
- The nonprofit has a conflict of interest policy for members of the governing board (including permissible and non-permissible financial or personal dealing with the nonprofit, disclosure of any financial interest in the nonprofit business and situations in which board member are required to abstain from voting). A conflict of interest statement is signed annually by each board member.
- The board meets frequently enough to effectively monitor the finances and programs of the nonprofit and at least four times per year.
- The board has subcommittees as needed to effectively monitor and achieve the nonprofit mission.
- The board has good attendance for board meetings and regularly achieves a quorum.
- The full and subcommittee board minutes reflect engagement and decision making that matches with other standards (i.e. passage of the budget, review of the audit, evaluation of the CEO) and important actions of the board?
- The board provided leadership for the development of a strategic planning document, approved it, and takes responsibility for supporting and monitoring it.
- The board has a strong relationship with the CEO/Executive Director.
- The board of directors, employee and volunteer structure is of adequate size and representation given the mission and programs of the nonprofit.
- The nonprofit provides staff and volunteers with written job descriptions and the necessary resources to carry out duties appropriately?
- An individual is designated to be responsible in the absence of the CEO/Executive Director and a succession plan is in place for senior management.
- The nonprofit has insurance that covers any needed professional liability for employees, facility coverage, and directors and officers coverage.
- Board reviews and signs IRS Form 990 prepared by accountant.
- Each board member has a copy of and operates within the nonprofit Articles and By-laws. The Articles of Incorporation and By-Laws clearly state the

purpose(s)/mission of the nonprofit. The nonprofit is legally authorized to operate as one of the following:

- a. Not-for-profit incorporated in the State of Indiana.
 - b. A nonprofit with its own governing or advisory board organized as an identified part of another nonprofit which is incorporated in the State of Indiana and is one of the following:
 - a. A 501(c)(3) not-for-profit as determined by the IRS
 - b. A nonprofit organized as an identified part of another nonprofit which has been determined by the IRS as a 501(c)(3)
- The nonprofit Articles of Incorporation and/or By-Laws contain the following:
- a. Clearly stated mission of the nonprofit.
 - b. Tenure of members such that the governing board does not become self-perpetuating.
 - c. Descriptions of the standing committees.
 - d. Requirements for a quorum.
 - e. Procedures for elections of board members and officers.
 - f. Procedures for the filling of vacancies.
 - g. Procedures for amending the by-laws.

Required Documents for the Governance and Operating Standard

- Articles and By-Laws.
- Governing board roster (indicate officers, number of year on board, start and end date of current term).
- Nonprofit Organizational Chart.
- Board minutes recorded and preserved that can be produced when needed.
- Management agreement with parent corporation (if applicable).
- IRS tax exempt letter.
- Secretary of State annual filing.
- Annual 990 tax return.
- Equal opportunity statement.
- Conflict of Interest statement.

Nonprofit Mission

- The nonprofit has a written mission statement that provides a clear expression of the nonprofit's reason for existence.
- The mission is clearly communicated and understood by ALL stakeholders within the nonprofit through meetings, annual report, website, etc.
- The nonprofit has a clear and coherent written plan for the future, i.e. 3-10 year strategic plan with well defined, measurable and achievable goals and action steps with timeframes.

- The strategic plan is communicated, well known and understood by the staff and board.
- The strategic plan is supported with a realistic and detailed annual plan that outlines the specific work to be accomplished and the annual plan consistently used at all levels of the nonprofit to direct operations.
- The nonprofit has a well-developed and comprehensive evaluation system used to measure and evaluate the effectiveness and impact of its programs and services.
- The nonprofit collects data to measure performance and progress on an ongoing basis which is analyzed and communicated to stakeholders on a regular basis through grant reports, annual reports, website, etc.