

INVENTORY, ASSESS, IMPROVE

6-09

Introduction

There are well over a million non-profit organizations in the USA. Much of the greatness of communities is credited to the work of these organizations.

The management of nonprofits requires an understanding of governance, operations, documents and systems. This is especially true as scrutiny intensifies on the sector by the government, the media, consumers and stakeholders.

Use the organizational check-up *inventory, assess and improve* the organization. For nonprofits with staff, it is a task for a team or the executive director. In volunteer driven organizations, the officers may undertake the inventory.

Format

The left column identifies important documents, manuals and systems. The center column describes their purposes¹. The right column is for grading and noting necessary actions to improve or remedy.

Process

Proceed by locating the documents and systems. Review items to determine if the information is representative of a *model of excellence* --- or does it need improvement? The eight categories include:

- | | |
|--|---|
| <ul style="list-style-type: none">• Governing and Legal Documents• Strategic Direction• Risk Management and Insurance• Board and Committees, Leadership | <ul style="list-style-type: none">• Administration, Staffing and Finances• Membership and Stakeholders• Image, Branding and Public Awareness• Societal Benefit, Outcomes |
|--|---|

¹ Be sure to contact legal, accounting and insurance counsel, and local, state and federal government officials, for assistance.

GRADING SCALE: A – Document exists and is in good condition and use; B – Document found and could use some improvement; C – Document is outdated or in poor condition; needs attention soon; D – Unknown, requires further study, research and action; 0 – Does not apply to our organization, ever.

Grading Scale

Use the scale to note the condition of each document or system. Make notes in the column if actions should be taken.

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- 0 – Does not apply.

Results

As you find omissions or items that can be improved, be sure to keep a list of to-do items. Clearly, the goal is an ‘A’ or ‘B’ grade for every item.

Where items are below par, you may want to seek additional information or assistance from your legal, accounting or insurance counsel. Or you may have a parent organization or subsidiary/chapter you want to be sure they are in compliance or have the resources you need.

Uses

Ideal for the **new employee** to better understand essential documents and internal systems. For the **new executive director**, use the form to inventory the critical documents in the organization’s files. For **staff-cross training**, make it a staff meeting topic to ensure each person understands the documents and operations. For **chapters**, it’s a way to ensure compliance with national. For the start up organization, it’s a checklist of items to carefully consider. For the **association management company**, its an intake checklist. Finally, for the **retiring CEO**, it’s a checklist to be sure that all files are current prior to transition.

Additional Resources

For additional information from the author, visit www.nonprofitcenter.com for free nonprofit management and governance templates, tips and best-practices. Organizations are invited to adapt the information for training needs. Bob Harris, CAE, offers training for boards and staff as well as strategic planning. Contact bob@rchcae.com.

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Document	Description	Assessment/Action
Governing and Legal Documents		
Articles of Incorporation	Articles of incorporation are filed with the appropriate <i>state</i> agency to acquire legal standing and are needed to request exempt status from the IRS. Generally, annual renewal is required and many states <i>involuntarily dissolve</i> an organization that fails to renew.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Bylaws	Bylaws describe how the organization will operate and its relationship to stakeholders. Amendments to the bylaws generally require approval of the membership. [Note: The IRS requires notice of amendments to governing documents with submission for Form 990.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
IRS Documents	<i>Public records</i> include the 1) IRS Letter of Determination, 2) Form 1023 and/or 1024 and 3) Form 990 Information Return for the past three years. Keep copies readily accessible. [Be sure to know if the parent <u>or</u> chapter is filing an annual IRS return or holds a <i>group exemption</i> .]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Letter of Determination	The document returned from the IRS indicating that the organization is officially exempt from paying federal income tax. [Use <i>IRS Form 1024</i> to apply for 501(c) status and specifically <i>Form 1023</i> for 501(c)(3) status.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Sales Tax	A sales tax certificate may be required if the organization sells items such as coffee mugs, shirts, directories, books, etc. Or a certificate of sales tax <i>exemption</i> may be required. Check with state's Dept. of Revenue.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Annual Business Meeting	Most states' corporate laws require an annual business meeting of the members. Be sure to keep <i>proof</i> of the meeting by retaining agenda, minutes, attendance records, etc.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Charitable Solicitation	Nearly 40 states require organizations to register if they are soliciting charitable funds from persons with whom no business relation	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

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Document	Description	Assessment/Action
	exists.	
Occupational License	Check with local municipality officials to determine if an occupational license is needed for a not-for-profit organization.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Strategic Direction		
Mission Statement	The mission statement is a well crafted, brief sentence, usually including three elements: identify 1) the organization, 2) its members, and 3) what it does for members. It should complement the IRS required “statement of purpose.” Board and staff should be able to articulate the mission.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Vision Statement	The vision statement describes the organization’s aspirations. By contrast to the requisite mission statement, the vision statement is <i>optional</i> .	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Values Statement	The guiding principles for board and staff. Adopted as more scrutiny is placed on nonprofit governance. [The mission, vision and values statements create the <i>brand platform</i> , or corporate image and unique position of the organization.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> 2 <input type="checkbox"/> D <input type="checkbox"/> 0
Strategic Plan <ul style="list-style-type: none"> • Mission • Goals • Strategies • Tactics • Performance Measures 	The strategic plan is developed by the board to set broad goals and supporting strategies to advance the mission and vision. The plan may include performance measures (KPIs). For example, increasing membership may be the <i>goal</i> ; <i>strategies</i> will include membership drives, member incentives for joining, a membership committee; and <i>performance measures</i> may indicate the number of new and renewing members. An annual review of the plan should be undertaken to measure progress.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Business or Action Plan	The business plan details the delegation and deadlines necessary to advance the strategic plan. A strategic plan may cover 3 to 5 years; an action plan usually covers 1 year and is closely related to the budget and current year priorities.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

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Document	Description	Assessment/Action
Risk Management and Insurance		
Insurance Coverages <ul style="list-style-type: none"> • D & O • General Liability • Fidelity Bond • Meetings • Liquor 	Volunteer immunity probably covers the board of directors. An insurance advisor and attorney should determine if general liability, directors and officers' liability, a fidelity bond, host-liquor liability and/or meeting event cancellation insurance should be acquired.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Antitrust Avoidance Statement	When similar businesses get together there is some danger of violating antitrust laws; fines can run in the millions. To discourage violations, organizations emphasize antitrust avoidance distributing a precautionary notice or by other means.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Disaster Manual	A notebook made up of key documents maintained outside the office or on an external computer server so that if the office were destroyed, all documents are easy to replace; i.e. budget, articles, bylaws, IRS documents.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Apparent Authority	A policy and/or orientation should inform volunteers and staff who may officially speak for the organization; and restrictions on use of stationery and logos.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Board and Committees, Leadership		
Leadership Manual	Volunteers should receive a leadership manual or board handbook with information on their roles and responsibilities, including appropriate documents such as bylaws, articles, rules of order, budget, etc. Used at the annual leadership orientation.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Policy Manual	Policies are motions made by the board to interpret governing documents and to set best practices. As policies are adopted and recorded in the minutes, at least annually they should be transcribed into the organization's official policy manual.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
IRS Policy Section	IRS Form 990 asks a number of policy	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

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Document	Description	Assessment/Action
<ul style="list-style-type: none"> • Audit • Compensation • Documents • Conflict of Interest • Whistle Blower • Public Records 	questions to which the organization must be prepared to answer. Proof of the policies will be recorded as motions of the board in meeting minutes and recorded in the policy manual.	
Board Performance Assessment	Board self-assessment is an annual review to promote excellence in board processes and outcomes.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Leadership Development	Continual efforts exist to identify and train volunteer leaders in the organization.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Code of Conduct – Board Ethics	Many organizations adopt a code of conduct and conflict of interest statement for board and senior staff. Elements commonly include 1) willingness to uphold governing documents, 2) respect for confidentiality, and 3) disclosure of potential conflicts.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Meeting Agendas	A well-crafted agenda guides the meeting and ensures focused discussions on the desired outcomes. [A consent agenda is a means for combining reports to save time.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Meeting Minutes	Minutes of board meetings (and committees) are carefully drafted and approved. These are the official records of actions of the board. [No tape recordings of meetings are kept.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Rules of Order	Board and staff have access to a guide for meeting rules of order.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Committee Descriptions	Committees should have a written purpose or mission statement to frame their work efforts.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Committee Notebooks	Many organizations maintain working notebooks for each committee to be passed on to new committee chairs each year. A method for keeping committee notes and progress. [IRS Form 990 asks if “committees with authority” maintain minutes.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Administration, Staffing and Finances		
Annual Budget	The annual budget accurately forecasts the income and expense for the fiscal year.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Annual Audit	An independent accounting professional conducts an audit of the organization’s	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

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	finances. [IRS Form 990 asks if the organization has a policy on audits, reviews or compilations and an oversight audit committee.]	
Financial Reports	Accurate financial reports detail income and expense information for comparison against the annual budget; provided on a consistent basis. Includes assets and liabilities.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Procedures Manual	Procedures are the administrative responsibilities of the staff. By documenting the work steps and requirements, and then assembling administrative responsibilities in a procedures manual, it serves to train new staff, and promote customer service. [If the CEO or a senior staff member abruptly departed, the board and remaining staff must rely on a procedures manual to sustain operations.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Record Retention	A record retention or document destruction schedule is used to protect critical documents and information while eliminating unnecessary documents at certain time periods.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Software Licenses	Any software installed in the organization’s computers must have appropriate licenses.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Organization Chart	One or more organizational charts depict the relationship, hierarchy and information flow of the board to staff, consultants, committees and subsidiaries.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Job Descriptions <ul style="list-style-type: none"> • Volunteers • Staff 	Written job descriptions detail each staff position. Many organizations also maintain job descriptions for volunteer officers, directors and committee chairs, or rely on the bylaws.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Personnel Manual or Employee Handbook	An employee handbook describes expectations, rights and responsibilities for working in the organization. It is a carefully written, legally based manual.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Taxpayer Identification	The appropriate taxpayer identification forms are collected and maintained, such as W-4 (Employee ID and Withholding) and W-9 (Request for Taxpayer ID). Many IRS audits occur in organizations claiming to use	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

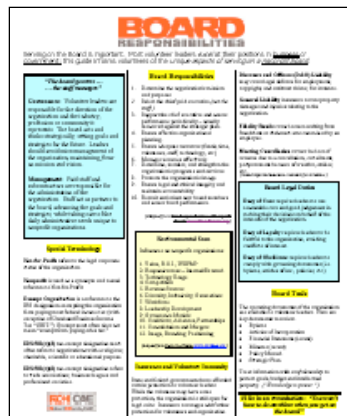
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	independent contractors in place of employees. [Reference IRS Form SS-8, Determination of Worker Status.]	
Performance Reviews <ul style="list-style-type: none"> • Board • Executive Director • Staff 	A performance review is the document used by supervisors to evaluate staff performance; and for the board to evaluate the CEO’s performance. [Board does not evaluate staff other than CEO.]	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Membership and Stakeholders		
Membership Application	A membership application facilitates recruitment and describes benefits and services.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Renewals	Renewals and the application comply with IRS requirements for notices about 1) lobbying and 2) non-deductibility as a charitable contribution.	
Membership Roster/Directory	Membership lists are protected. Policies exist for confidentiality of member information and responding to requests for member data and lists/labels.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Member Communications	Appropriate permissions have been granted and saved or renewed for communications by e-mail and/or fax.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Database	Members and prospects are maintained in an effective database.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Surveys	Surveys identify members’ needs and satisfaction while facilitating two-way communications; indicating to stakeholders, “we care about your opinion.”	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Image, Branding, Public Awareness and Communications		
Logo	Logo(s) symbolizing the organization are protected against misuse and theft of intellectual property through appropriate registration®, copyright©, etc.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Stationery and Envelopes	Stationery reflects the image of the organization and is safeguarded against misuse. Business cards should complement	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

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Document	Description	Assessment/Action
	stationery. Policies are set regarding use of the logo as well as business cards, stationery, etc.	
Style Manual	A style manual is a guide or handbook describing the proper use of the logo, key terms, colors, preferred fonts, styles, etc. It strengthens the brand of the organization.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Intellectual Property	Be sure to properly protect, register, trade mark and/or copyright the intellectual property, books, manuals, logos, etc. belonging to the organization. Be sure that the ownership of creative works is properly transferred from creators and/or committees.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Societal Benefit, Outcomes		
Position Papers, Resolutions	As issues are identified, official positions are adopted by the organization. Position papers are a means to advise stakeholders of the issues and the rationale for their support or opposition.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Environmental Scan	The organization continuously anticipates opportunities and threats by conducting environmental scans, research, focus groups and monitoring trends. Also known as a SWOT (strengths, weaknesses, opportunities and threats) or a Futures Task Force.	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0
Relevance	Rate (circle) the organization’s relevance (or value) to the community, members or stakeholders that it serves: <div style="display: flex; justify-content: space-around; width: 100%;"> Excellent Good Fair Poor </div>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> 0

Association Checklist 6-09.doc



2009 Laminated Board Responsibilities guide; \$9 each plus s/h. Order for board by e-mailing quantity and street address to bob@rchcae.com.