PRINCIPLES & PRACTICES

for Nonprofit Excellence in Colorado

Colorado NONPROFIT Association

Developed by Colorado nonprofits for Colorado nonprofits

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INTRODUCTION

Welcome to the new Principles & Practices for Nonprofit Excellence in Colorado, a comprehensive e-learning tool that invites users to engage with content. Throughout this publication, you will find videos, links, templates, and other resources, allowing for an interactive learning experience for our members.

Colorado's nonprofits provide essential services that support, enrich, and inspire communities, enhancing the quality of life across our great state. Nonprofits also create a substantial economic impact. Of the 23,000 nonprofits that conduct business in Colorado, 12,000 have their primary location here. This sector employs 330,000 direct & indirect jobs and generates $40 Billion dollars in economic impact annually (10% of Colorado's GDP). Together with our nonprofit professionals, more than a quarter of all Coloradoans volunteer their time and/or donate their dollars to make a difference every day in their communities.

Laws, regulations, and best practices hold nonprofits to standards of transparency, effectiveness, and efficiency. Principles & Practices for Nonprofit Excellence in Colorado is a powerful and useful tool for all nonprofits as they strive to reach and maintain these standards. We encourage nonprofit professionals and board members to use this resource to build their capacity, demonstrate accountability and enhance the public's trust in the nonprofit community.

Principles & Practices for Nonprofit Excellence in Colorado is a valuable guide as we all strive to reach Colorado Nonprofit Association's vision that Colorado's vibrant nonprofits ensure a high quality of life for everyone. We are honored to work with these nonprofit organizations.

PURPOSE

Principles & Practices for Nonprofit Excellence in Colorado supports the growth and quality of the nonprofit sector by providing individual charitable organizations striving for excellence with a Colorado-specific tool for evaluating regulatory compliance, enhancing strategic planning, and refining operational evaluation.

Note that this publication is not meant to be construed as legal advice and is not a substitute for individualized consultation with an attorney. While legal requirements for nonprofits other than 501(c)(3) organizations are not included, this guide remains a strong tool to help those organizations increase good governance, accountability, and transparency.

DIVERSITY, EQUITY, ACCESSIBILITY, & INCLUSION

Critical values to the work of nonprofit organizations include diversity, equity, accessibility, and inclusion(DEAI). Often these lenses are relegated to the human resource considerations, however DEAI is infused throughout a nonprofit organization's operations. Recruiting and retaining board, staff, and volunteers, communication within and outside of the organization, fundraising, program development and implementation, program evaluation, grant writing and management, and strategic planning.

In this publication you will see a principles section for DEAI where you will gain a better understanding of how to define DEAI and how a focus on DEAI can enrich your operations. You will also see the values of DEAI woven throughout other principles within this publication so that you gain understanding of how to operationalize it based on focus area.

DEFINITIONS

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 achieve the principles. In this guide the terms "charitable organization," "nonprofit organization," and "nonprofit" are used interchangeably to refer to nonprofit organizations that are tax-exempt under § 501(c)(3) of the Internal Revenue Code.

NAVIGATING PRINCIPLES & PRACTICES

The topics are alphabetically ordered. It is encouraged that nonprofit organizations strive to implement all principles and practices stated in this publication. However, an organization may find that certain practices may not apply to it due to organizational size, life-cycle, and needs.

Throughout this publication, you will be able to click on links to additional resources, watch videos, download templates, and more.

LEGAL ACCOUNTABILITY

All Colorado nonprofits must be aware of and in compliance with all legal requirements pertaining to nonprofit management, reporting, and governance. Visit the following websites for summaries of applicable laws, links to helpful resources, and downloadable forms:

- Colorado Secretary of State
- Colorado Attorney General
- Colorado Department of Labor
- Colorado Department of Revenue
- Internal Revenue Service

In addition, Colorado nonprofits should take advantage of an invaluable resource called A Guide for Colorado Nonprofit Organizations, Second Edition (2018, Continuing Legal Education in Colorado, Inc.). More than 20 of Colorado's top corporate attorneys, many of whom specialize in representing Colorado nonprofit organizations, wrote this publication, which is updated regularly.

ADDITIONAL RESOURCES

Principles & Practices recognizes that good organizational practices are primarily implemented through education and self-regulation. This guide is intended as an educational resource to help charitable 501(c) (3) organizations promote good governance, transparency, and accountability. Colorado Nonprofit Association strives to increase the sustainability of the nonprofit sector by providing professional development, access to best practice knowledge and current trend information.

DOWNLOADABLE VERSION

We will no longer be printing Principles & Practices, but you are welcome to download and print your own copy. Please note that as we update the online publication, your downloaded copy will be out of date.

> Everyday, we see Colorado's vibrant nonprofits ensure a high quality of life for everyone. Our mission is to strengthen Colorado's nonprofits through education, connection, and advocacy.
>
> —
>
> Paul Lhevine
>
> *President & CEO* [COLORADO NONPROFIT ASSOCIATION]

ADVOCACY PRINCIPLES

A nonprofit organization should advocate for the people and communities it serves, its organization, and the common interests of the nonprofit sector to operate effectively and advance its mission. A nonprofit should also facilitate community participation in matters of public interest relevant to its mission through its advocacy strategies.

Advocacy means the active support of an idea or a cause to influence public opinion or public policy. Advocacy comprises a broad array of activities including civic engagement, public and policymaker education, and, under certain conditions, lobbying. A nonprofit's level of involvement in advocacy will vary based on the organization's mission, capacity, IRS tax status, and strategic direction.

Nonprofits can advocate freely provided they follow some important legal requirements. Under Section 501(c)(3) of the Internal Revenue Code, nonprofits must not engage in partisan political activities including giving money to, or supporting or opposing, candidates for elected public office.Nonprofits must also follow federal, state, and local laws that define limits on lobbying activities and applicable reporting requirements.

Staff, board members, and volunteers are free to use personal time and resources to support or oppose candidates or engage in other partisan political activities provided they are not representing the organization or using resources belonging to the organization. [IRS Revenue Ruling 2007-41, 2007-25 I.R.B.]

As defined in federal regulations, nonprofits may lobby, i.e. communicating directly or urging the public to communicate, to support or oppose specific legislation before a legislative body of voters [26 CFR § 1.501(c) (3) - 1(c)(3)(ii)]. However, federal regulations place some limits on the extent to which nonprofits can lobby. Nonprofits should become educated on the rules regarding lobbying to maximize their ability to engage in the activity while maintaining compliance with federal requirements.

Key Resources:

Influencing Public Policy in the Digital Age

Keeping Track: A Guide to Record Keeping for Advocacy Charitites

PLANNING AND ACTIVITIES

1. **Understanding of Social and Public Policy Issues**

   A nonprofit should continuously maintain an understanding of social and public policy issues, events relevant to the organization's work, and the impacts of those issues on the specific populations the nonprofit serves.

2. **Public Communications**

   A nonprofit should ensure that the social and political context of information communicated publicly is clear, timely, and accurate. Such communications should be treated as public records and conducted in a nonpartisan manner that does not specifically support one political party.

3. **Relationship Building**

   A nonprofit should build relationships and trust with elected officials, community leaders, and other nonprofits in order to strengthen its ability to affect community change and impact public policy. Close relationships with the communities served by the nonprofit are particularly important to ensure that the policy changes the nonprofit is advocating for are truly reflective of the perspectives of those most affected.

4. **Professional Development**

   A nonprofit should include advocacy training and resources as part of its professional development activities for staff and the organization's board members. Nonprofit staff should be educated on the ways in which their organization may engage in advocacy according to the organization's IRS tax status.

5. **Advocacy Planning**

   A nonprofit should have a plan indicating the scope of work, time, goals/intended outcomes, and resources devoted to advocacy. This plan may include both proactive and responsive strategies. The plan should also include ways the nonprofit's advocacy approaches will be informed by community needs and opportunities.

6. **Participating in Formation of Public Policies**

   A nonprofit should communicate its perspective on, or participate in forming or amending, executive, and legislative policies addressing issues related to the organization's work. Close collaboration with community members throughout the process will ensure their perspectives are reflected in the policy outcomes.

ADVOCACY

CIVIC ENGAGEMENT AND PUBLIC EDUCATION

7. **Public Education**

   A nonprofit should provide nonpartisan information, training, or other educational resources to the public on key mission-related issues. As much as possible, a nonprofit should ensure their resources are accessible for a variety of populations.This can include strategies such as translating materials into languages other than English, ensuring materials are free of jargon and are written using plain language, and including video captions or other features that enhance accessibility.

8. **Stakeholders as Advocates**

   A nonprofit should support and encourage board members, volunteers, and constituents to act as advocates and ambassadors for the organization. However, the nonprofit's board members and volunteers may not publicly support or oppose candidates for elected public office in their capacity as representatives of the organization.

9. **Public Dialogue**

   A nonprofit should encourage public dialogue, hold public forums, or provide other methods for constituents to express their views on relevant social or public policy issues. In planning for these opportunities, a nonprofit should consider ways to make sure a variety of perspectives are represented and the event is as open and accessible as possible. Strategies for this could include ensuring wheelchair accessibility, providing interpretation during forums, or securing nonpartisan moderation for the event.

10. **Promote Civic Engagement**

    A nonprofit should encourage constituents to participate in nonpartisan civic engagement activities. As defined by the American Psychological Association, civic engagement means "individual and collective actions designed to identify and address issues of public concern. Civic engagement can take many forms, from individual voluntarism to organizational involvement to electoral participation. It can include efforts to directly address an issue, work with others in a community to solve a problem or interact with the institutions of representative democracy."

11. **Nonpartisan Voter Engagement Activities**

    Where possible, a nonprofit should engage in mission-related activities to educate voters and encourage voter turnout. Nonprofits must follow IRS guidance to conduct these activities in a lawful, nonpartisan manner.

These activities include:

- providing education on voting and the elections process;
- conducting get-out-the-vote activities and voter-registration drives;
- hosting candidate forums;
- producing questionnaires or guides to educate the public about candidates and;
- publishing voting records of incumbent members of a legislative body. (IRS Revenue Rulings 2007- 41, 2007-25 I.R.B. and 78-248, 1978-1 C.B. 154)

LEGAL REQUIREMENTS FOR LOBBYING, POLITICAL ACTIVITY, AND WORKING WITH ELECTED OFFICIALS

12. Prohibition on Supporting or opposing Candidates for Elected Public Office

A nonprofit must not support or oppose candidates for elected public office. This includes avoiding communications and activities that could be perceived as supporting or opposing candidates or political parties [26 USC § 501(c)(3)].

13. Prohibition on Expenditures or In-Kind Contributions for the Benefit of Candidates

A nonprofit must not make an expenditure or in-kind contribution for the benefit of an individual candidate for elected public office, a political committee that supports or opposes a candidate, or a political party [26 USC § 501(c)(3)].

14. Prohibition on use of organizational Resources for Supporting or opposing Candidates

A staff member, board member, or volunteer for a nonprofit organization shall not engage in activities that support or oppose candidates for elected public office, political committees, or political parties during hours when the individual is working or volunteering for, or otherwise representing, the nonprofit organization (IRS Revenue Ruling 2007-41, 2007-25 I.R.B.).

Staff, board members, and volunteers may engage in such activities using their personal time and resources. A nonprofit organization should provide training or guidance to staff, board members, and volunteers as needed to ensure organizational time and resources are not used for partisan political activities.

15. Distinction between Personal opinions and organizational Positions

A nonprofit organization should ensure that board, staff, and volunteers distinguish between personal opinions and organizational positions on public

policy matters, especially in email, online, or social media communications. A nonprofit organization may be held accountable for statements made by a board member, staff member, or volunteer, particularly political statements, if they are made using resources from the organization.

16. Insubstantial Part Limit on Lobbying

A nonprofit must adhere to limits on the total amount of lobbying activities under Section 501(c)(3) of the Internal Revenue Code. Lobbying means communicating directly, or urging the public to communicate, to support or oppose legislation before a legislative body or voters [26 CFR § 1.501(c)(3) - 1(c)(3)(ii)]. These activities to influence legislation, or carry on propaganda, must be an insubstantial part of a nonprofit's total organizational activities under 501(c)(3). Unless an organization makes the 501(h) election, the IRS determines if a nonprofit's lobbying activities are substantial based on the facts and circumstances the nonprofit must report on its annual tax return [26 CFR 1.162-29(c)(1)].

17. 501(h) Expenditure Lobbying Limit

A nonprofit should consider filing the IRS Form 5768 to take the 501(h) election to maximize the organization's lobbying limit.

Section 501(h) of the Internal Revenue Code allows a nonprofit's limit to be measured based on lobbying expenditures rather than the insubstantial part limit [26 USC § 501(h)].

Under the 501(h) election, a nonprofit must report on both direct and grassroots lobbying activities on its annual information return and limit grassroots lobbying expenditures to no more than 25 percent of total lobbying expenditures. [(26 CFR 56.4911)]

Direct lobbying means any attempt to influence specific legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of specific legislation. Grassroots lobbying means any attempt to influence specific legislation through an attempt to affect the opinions of the general public or any segment thereof. [(26 CFR 56.4911)]

A nonprofit that has taken the 501(h) election must also be aware of exceptions to reported lobbying activities including:

- discussion of broad social and economic issues without expressing a view on pending legislation or calling for action;
- nonpartisan analysis or research that may express a view on legislation but has no call to action, presents facts fully and fairly, and is widely disseminated;
- technical advice to a legislative body or committee at the invitation of that body or committee;
- "self-defense" communications on legislation affecting an organization's existence, powers, duties, tax-exempt status, or deductibility of contributions; and
- membership communications that reflect a view on legislation of direct interest to the organization and its members but do not encourage direct or grassroots lobbying. [(26 CFR 56.4911)]

[For organizations that have not made a 501(h) election, exceptions similar to those for technical advice and nonpartisan analysis have been established by case law and IRS Revenue Rulings 64-195, 1964-2 C.B.138 and 70-449, 1970-2 C.B. 111]

18. Prohibition on the use of Federal Funds for Lobbying

A nonprofit must not use federal funds to engage in lobbying activities. Unless restrictions apply, other funds may be used for lobbying activities (2 CFR § 200.450).

19. Colorado Reporting of Lobbying Activities

A nonprofit employee who is paid by the organization to lobby must file monthly reports with the Colorado Secretary of State on communications to, or communications soliciting others to, influence legislation or public rulemakings (C.R.S. § 24-6-303).

20. Compliance with Ethics Rules

A nonprofit must comply with federal, state, and local ethics rules in working with government employees and public officials. With respect to government employees and officials, this includes rules on providing gifts, travel, honoraria, or event tickets; and employment of former elected officials. (Colorado Constitution Article XXIX; House of Representatives Rule XXIII - Code of Official Conduct; Standing Rules of the Senate, 34 to 43).

COMMUNICATIONS PRINCIPLES

Communications strategies advance a nonprofit's mission, inspire its stakeholders, and increase its impact. A nonprofit must be proactive in its communications strategy to accomplish its goals. Effective communications practices help to ensure public trust in the organization and connect the organization to its stakeholders, inspiring action. Thoughtful planning and internal communication are important for positive relationships with employees and key volunteers. External communications strategies attract and retain stakeholders, raise public awareness, advance key mission-related concepts, and increase funding for the organization.

Key Resources:

[Colorado Nonprofit Association Knowledge Center - Communications](#)

[Professional Services Directory](#)

[Training: Understanding Your Target Audiences](#)

[Copyright & Trademark: FAQ](#)

PLANNING AND INTERNAL COMMUNICATIONS

1. **Organizational Communications**

   All nonprofit communications should adhere to the highest ethical and professional standards, as well as any applicable industry specific standards, and should exhibit transparency, fairness, and honesty. These standards should be clearly stated in writing and made part of the training and orientation of all employees, board members, and volunteers.

2. **Written Communications Plan**

   A nonprofit should have a clearly-defined, written communications plan that supports the organization's strategic plan. The articulated communications strategies should be integrated into all organizational planning, and should demonstrate accountability to constituents and the public. The written communications plan should:

   - include goals, target audiences, key messages, strategies, tactics, intended outcomes, and the means to evaluate results;
   - include community served (which may be different than target audience);
   - ensure the organization makes appropriate information available to the public and communicates in a clear and timely manner with those who request information;
   - clearly describe who is responsible for what roles and tasks detailed in the plan, including any contractors or vendors;
   - be shared and regularly reviewed with staff, board, and key volunteers of the organization;
   - be updated regularly to ensure the plan stays current with the organization's priorities and communication trends such as changes in social media and technology.

3. **Communication Procedures/Internal Communications**

   Nonprofits should establish clear policies pertaining to communication practices and procedures including outreach efforts, frequency of communications, graphic standards, rules around print and electronic communications, approval for institutional facts and messaging, and expected responses for internal or external concerns. These policies should be included in the written communications plan. Nonprofits should establish thoughtful internal communications strategies – with clear, defined channels that respond to the needs and interests of staff members and key volunteers – to allow for effective conflict resolutions, and the creation of a positive, productive organizational culture.

4. **[Inclusiveness and Communications](#)**

   Inclusive organizations not only have people from diverse backgrounds involved at all levels, but also are learning-centered and intentionally incorporate the needs, assets, and perspectives of all constituents into everything they do. This includes the practice of communications. Nonprofit organizations should provide communications in languages other than standard English, as necessary. As a nonprofit builds and implements its communications practices, it should ensure that its strategy, messaging, messengers, and materials are inclusive of the voices and experiences of its constituents.

5. **Ethical Communications**

   Nonprofits have the responsibility to honor an individual's right to decide when, how and to what extent their personal information is shared publicly. A nonprofit must first request permission from the individual being highlighted and provide transparency around communication goals. A nonprofit should also offer reasonable compensation for the individual's time and participation in communications efforts.

6. **Privacy and Consent**

   Nonprofits should establish and implement clear policies regarding confidentiality of certain communications, images, and personal information. Sensitive, private, or confidential information should not be shared without express consent. Occasionally pictures of participants, volunteers, or served community members may need express consent to be shared.

7. **Crisis Communications Plan**

   A nonprofit should have a written plan for communicating with internal audiences, the public, and the media at a time of crisis or emergency. A crisis communications plan may be incorporated into a disaster management plan or written communications plan.

8. **Copyright and Trademarks**

   A nonprofit should copyright or trademark organizational materials as appropriate.

9. **Evaluation**

   A nonprofit should take steps to evaluate its communications strategies and tactics. Each strategy should be designed with a measurable outcome in mind, and the dollars and time expended should be weighed with the success of each strategy. The next step would be to evaluate the outcomes against the proposed measurable outcomes.

> Effective communications practices help to ensure public trust in the organization and connect the organization to its stakeholders, inspiring action.

COMMUNICATIONS

EXTERNAL COMMUNICATIONS

10. **Branding**

    A nonprofit should develop and promote a clear understanding of its brand. An organization's brand is its reputation and personality, and is supported by all of its actions and interactions with the community. The brand is articulated through consistent communications tactics such as key messages, language and tone, logo, and visual identity. Nonprofits should ensure all employees, board members, and volunteers have an understanding of and familiarity with its brand.

    In accordance with its brand, a nonprofit should consider implementing a set of graphic standards that create a visual identity and provide the rules for using the organization's fonts, primary colors, accent colors, logos, photography, and other visual assets.

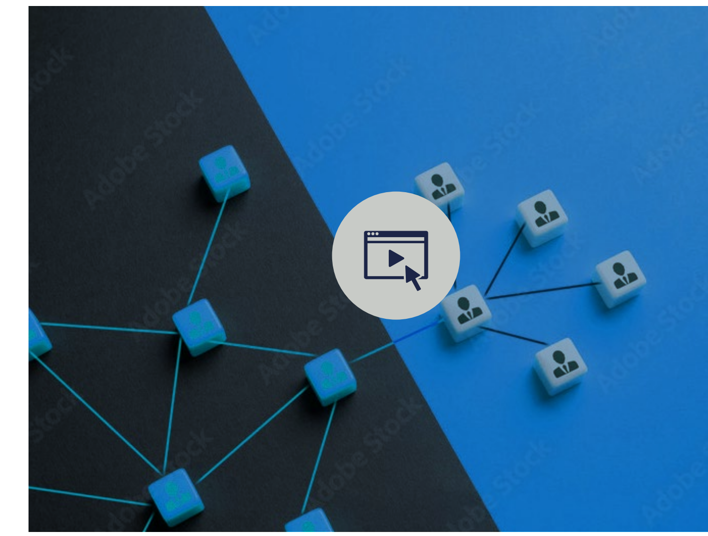
11. **Marketing**

    Marketing materials that are distributed to external audiences should be developed and distributed according to a strategic, mission-driven plan. They should represent the organization's brand and key messages, and reflect its visual identity. Examples of marketing materials include print and electronic newsletters, websites, social media, annual reports, advertising, collateral or promotional materials for events, public service announcements, and promotional brochures and flyers.

12. **Media Relations**

    Media relations is the process of generating media coverage by distributing timely and accurate press releases; providing print-ready content to external publications and outlets, including guest commentary and letters to the editor; pitching story ideas to journalists whose coverage aligns with the organization's issues of concern and areas of expertise; and being responsive to media requests. Given changes in the media landscape,

Training: PR Planning for Small Nonprofit Teams



organizations should develop their own "media center," wherein press releases, feature stories, issue briefs, and other information are made available to the media and public online and by request; organizational representatives should receive media training.

13. **Digital Communications**

    Digital communications is using digital formats such as social media and e-marketing to connect with target audiences. It is an essential outlet for a nonprofit's external communications and an integral part of a strategic communications plan. Best practices for effective digital communications change quickly, as outlets, platforms, social networks, and apps change constantly. Digital communications outlets can be used to highlight news and opportunities, share stories of impact, solicit volunteers, and promote events, among many other possibilities.

    A nonprofit should understand the tone, functionality, and audience of a given platform in order to use it effectively. A nonprofit should adopt a digital communications policy governing the organization's own social media channels and emails, as well as expectations for staff, board members, and volunteers regarding any social media activity as it relates to the organization.

In addition, a nonprofit must adhere to anti-spam laws and guidelines. All email communications should be sent only to recipients who have given either express or implied permission to be added to email lists and include a means for recipients to remove themselves from the mailing list.

14. Public Statements and Positions

A nonprofit should have a written procedure that stipulates who has the authority to make public statements on behalf of the organization, and the procedures for developing the statements. Board members, staff, and volunteers should be trained on the organization's statements, positions, policies, and procedures.

15. Ambassadors

A nonprofit should encourage all staff, board members, and volunteers to act as ambassadors for the organization by providing them with tools, information, and messaging to be successful advocates. Nonprofits should consider specific training and regular refreshers for ambassadors. Ambassadors working together with a consistent, clear message enable a nonprofit to reach more people effectively.

16. Distinction between Personal and Organizational Positions

A nonprofit should educate employees, board members, volunteers, and ambassadors on the distinction between personal opinion and organizational positions. This is especially important when making public statements, using social media, or publishing information online or in print. Specifically with social media, nonprofit employees should be provided with clear guidelines on reflecting the organization's values in their online behavior. A nonprofit may be held accountable for statements made by a board or staff member.

17. Stakeholder Engagement

In order to demonstrate transparency and accountability, maintain good relationships, and help an organization achieve its mission, nonprofits should engage stakeholders through clear, easily accessible, and up-to-date information. Opportunities to solicit feedback should be targeted to key audiences identified in the communications plan. For example, surveys, and other webforms, community meetings, and other methods should be easily accessible by outside audiences through the organization's outlets of communication.

Staff contact information will assist in these interactions. In the case of negative feedback, organizations should have a written grievance policy in order to promptly and respectfully respond to grievances or complaints from stakeholders. These practices help foster dialogue and mitigate potential negative impact to the organization and its stakeholders.

18. Annual Reports

A nonprofit should produce an annual report that contains information on its activities, accomplishments, performance, and vision for the future. Often, the annual report will be the most persistent demonstration of your brand; ensure that the elements of your visual identity are well represented. Organizations may choose to only offer its report in an electronic format, which is more cost effective and allows more options, including embedded content (e.g. videos, links, etc.). However, a more succinct printed version may be a beneficial takeaway during trainings and events, and offers a physical representation of the organization. To ensure direct and effective communication, organizations should decide on the audience and goals of the report.

Content should include:

- overall financial information, including income and expense statement, balance
- sheet, and functional expense allocation;
- an explanation of the organization's mission, activities, and impact;
- an explanation of the organization's outreach efforts and ways in which constituents may
- access the program(s); and
- a list of board members, staff, volunteers, and, when appropriate, contributors.

Content to Consider:

- to bring your mission to life, include stories, photography, infographics, etc.
- to support fundraising, include testimonials from current donors

19. Legal Requirements for Public Access to Information

A nonprofit should make information about its operations, including its governance, finances, programs, and activities, widely available to the community. Full disclosure of executive compensation, including compensation received from related entities of the organization, must be disclosed on the organization's IRS form 990. A nonprofit should consult legal and financial professionals to determine the requirements for public disclosure. At a minimum, a nonprofit (unless specifically exempt) must make certain data available to the public including:

- Annual tax return (usually an IRS Form 990, 990-EZ, 990-N or 990-PF) for the most recent three years (IRC § 6104);
- if the organization has unrelated business income, annual tax return (usually an IRS Form 990-T) for the most recent three years; and
- IRS Form 1023, Application for Recognition of Tax-Exempt Status, including any papers submitted in support of the Application and any letter or other document issued by the IRS with respect to the Application (IRC § 6104; 990).

Training

Understanding Your Target Audiences

DIVERSITY, EQUITY, ACCESSIBILITY, AND INCLUSION PRINCIPLES

Living out a social mission is rooted in an organization's commitment to exemplify the values that lead to a thriving, sustainable, and relevant organization. Critical values to nonprofit work include diversity, equity, inclusion, and accessibility (DEAI). Often these lenses are relegated to the human resource considerations, however DEAI is infused throughout a nonprofit organization's operations. Recruiting and retaining board, staff, and volunteers, communication within and outside of the organization, fundraising, program development and implementation, program evaluation, grant writing and management, and strategic planning. Attention to, or neglect of, DEAI in these systems can affect the growth, relevancy, and reach of our programs. In this section, you will find considerations of how to define DEAI and resources to understand how attention to DEAI can enrich NPO operation.

Data suggests diverse perspectives within an organization can increase performance, innovation, creativity, and problem solving. Additionally, diversity among staff, volunteers, vendors, professional services, and board members enhance the ability of nonprofit organizations to work effectively with culturally diverse communities. Given the nature of the sector, it is imperative that nonprofit organizations work to create equitable, diverse, accessible, and inclusive environments.

DEAI provides a lens to create mission spaces that acknowledge the diverse skillsets and experiences that keep an organization relevant and responsive to the community. Auditing for DEAI practices helps an organization identify barriers to recruiting talented board, staff, and volunteer members; road blocks to effective workspaces, and concerns of donors and other community partners. DEAI work within the nonprofit organization improves service delivery and promotes community building that strengthens the quality of life.

Key Resources:

DEAI auditing guide

Network for Good - How to Have DEI Conversations at Work

Training: Understanding the "Why" For Diversifying Your Board

While several definitions exist to explore these issues, below are some ways to think about these concepts. It is recommended that you develop definitions that best fit your organization and mission.

Diversity: Valuing the backgrounds of others and listening to how those backgrounds add depth to a social mission. While diversity often encompasses race and ethnicity, physical appearance, gender, national origin, economic status, religious and political beliefs, education, class/rank, age, neuro, mental and physical abilities, and sexual orientation, but these categories are not the end of the diversity crayon box. Diversity practices include activities to incorporate voices, opinions, and experiences that help an organization better empathize, represent, and understand the range of human experience.

Equity: Creating an environment that is able to help people, regardless of their starting point, to thrive. This means creating equal opportunity but it also recognizes the barriers that have created unequal starting points and being proactive in developing systems that account for unequal starts and assure equitable pathways.

Inclusion: In response to a diverse workplace, the inclusion lens highlights a proactive set of actions to ensure that people feel welcome and can fully participate in the activities of the organization. Inclusion is both auditing for barriers and proactively cultivating a sense of belonging.

Accessibility: Actions that enable members of the organization to fully participate in the work of the organization. Accessibility can mean the removal of physical barriers or the additional of equipment or tools that make a physical space navigable to all, however, accessibility also includes communication, technology, digital, and belonging. These steps to accessibility often address hidden barriers or taken-for-granted assumptions about what people need to interact and complete a mission.

Belonging: Actions that help members to feel accepted and valued for their presence and unafraid to be themselves. Belonging feels like comfort in a setting, welcome to share, and valued for their contribution.

INTERNAL PRACTICES

1. **Organizational Policies**

   A nonprofit should intentionally remove policies and practices that exclude people due to differences in social identity and access. A DEAI auditing guide can be useful to review.

2. **Inclusive Workplace**

   Creating a workplace culture where employees, volunteers, board members, served communities and groups feel connected, listened to, and authentic engagement, regardless of differences is possible. A few resources to help support authentic conversations to consider:

- Network for Good - How to Have DEI Conversations at Work
- The Foundation Review - Difficult Conversations: Lessons Along the Journey Toward Inclusion
- Interaction Institute for Social Change

3. **Implicit Biases**

   Investment in understanding implicit bias in decision-making, ideation, and other aspects of employees, volunteers, and served populations is important to be successful in this work. Through the use of a tool such as Project Implicit, employees, and volunteers can recognize any specific biases, and take measures to minimize impacts of the biases in the workplace or volunteer opportunities. The Harvard Implicit Bias Assessment also offers opportunities for reflection.

EXTERNAL PRACTICES

1. **Community and Constituent Relationships**

   Valuing the communities and constituents served is a critical element in diversity, equity, accessibility, and inclusion thinking. Through the meaningful engagement with communities as full partners, the ability to innovate collaboratively and facilitate social change is increased. Board members, employees, and volunteers should utilize equitable channels to hear voices from and facilitate dialogue with community and constituent partners authentically. This practice allows the space for the external perspectives to influence the internal organizational work.

2. **Commitment from Leadership and Board**

   Studies show that creating organization change for diversity, equity, accessibility, and inclusion begins at the top of any organization. CEO/Executive Directors and board members can demonstrate their commitment to diversity, equity, accessibility, and inclusion by engaging in conversations about the topic and gaining support. Authentic conversations with employees, volunteers, and members of the served community can result in powerful change and understanding of the organization.

Resources (links):

- The following piece by Sabrina Slade, Director, Racial Equity and Advocacy, John Rex Endowment shares cautions about DEAI work that are well worth exploring: "Dismantling the Working-While-Wounded Culture through Accountability and Naming Harmful Practices"
- TSNE Partners in social change: Diversity and Inclusion Initiative: A Step By Step Guide

EVALUATION PRINCIPLES

Every nonprofit organization has the responsibility to assess the impact of its actions and to learn from its previous work to better serve the community in the future. In order for a nonprofit organization to fulfill its mission it must assess effectiveness and identify areas for improvement through a systematic approach . An organizational culture of evaluation drives continuous learning and improvement, in service of enhancing performance and understanding impact. Increasingly, evaluators are being called to examine their own assumptions and practices through an equitable evaluation lens, including considering whose voices are being heard,how carefully findings are contextualized in people's culture and lived experience, and to what end evaluative work should operate.

Evaluation results should serve as a key determinant to strategic decision-making and planning. This will help an organization to best utilize its resources in areas with the greatest impact. Evaluation results, and the associated organizational learning, are important for responsible stewardship of resources, fulfilling organizational purpose, establishing accountability with stakeholders, intentional progress towards goals while honoring organizational values, and for encouraging continued investment of resources by funders and supporters.

Key Resources:

Tool: Are you a learning organization? Take this quiz to find out.

Measurement System and Results

Survey Design Tips and Tricks

INTRODUCTION

This section is not meant to provide a thorough instruction on how to successfully plan, design, implement and apply evaluation practices in nonprofits. Rather,it outlines a brief overview of the most common phases and aspects of impactful evaluation, with suggested resources for further exploration, should you wish to dive deeper on a particular facet. General principles of evaluation practice, common effective approaches, and impactful ways to use the results of evaluations are covered

This section is intended for nonprofits who are less familiar with the whole arc of evaluation, and who wish to familiarize themselves with the process and key practices. This section aims to serve as a guide for reviewing current evaluation projects or plans to ensure nothing important has been skipped, such as ethical considerations or a communication plan.

Learn more about what evaluation is from the AEA peer-reviewed journal, The American Journal of Evaluation's summary of "What is Evaluation?"

> An organizational culture of evaluation drives continuous learning and improvement, in service of enhancing performance and understanding impact.

GENERAL

1. **The Practice of Evaluation**

   The process of evaluation involves identifying the objectives and the guiding values of a program within the greater goals and constraints of the organization as a whole; and then critically examining a program or organization by collecting and analyzing information about its outcomes, activities, and characteristics in order to draw conclusions about impact. These conclusions inform future efforts and decision making, with the underlying goal of advancing progress towards the defined goals.

   The American Evaluation Association has published these guiding principles for evaluators.

2. **Purpose of Evaluation**

   Evaluation operates at multiple levels and for a variety of purposes. Most common is program evaluation, which is often required by funders to measure the effectiveness of a program in meeting its objectives. Nonprofits should not be limited to program evaluation. Evaluations may encompass the organization as a whole to examine overall impact, specific topics such as sustainability, or the operations and effectiveness of a department or operational area.

   The purpose of any evaluation project should be explicitly designed at the beginning of the project, and these decisions should involve the key stakeholders across whatever is being evaluated. These stakeholders could include recipients of the program, potential or current funders, community members, decision-makers within the organization, program managers, and others.

   Here is the EvalCommunity's take on purposes of evaluation: What is the purpose of evaluation? EvalCommunity

3. **Evaluation as Learning**

   Evaluation should drive organizational learning and continuous improvement. While measuring impact is one purpose of evaluation, evaluation also helps bring a greater understanding of capacity, strategy, and the role of the nonprofit in the community.

Training

Evaluation Basics that Center Learning

EVALUATION

   Evaluation can provide valuable insight into how the work is being done, who is involved, and the context within which the work is happening, all of which can yield actionable information and, ultimately, lead to programmatic or organizational improvement.

   The United Nations issued this document on building lessons from evaluation.

4. **Organizational Culture for Evaluation**

   Nonprofits should embrace evaluation as ongoing, consistent, and integrated into the work of the organization – involving a broad spectrum of staff, board, and stakeholders.

   Developing a culture of evaluation requires not only a well-defined and sufficiently resourced evaluation program, but also a practice of asking and answering evaluation-oriented questions across the organization, infrastructure to provide those answers in a timely and accessible manner, skills to interpret and comfortably navigate evaluation results, and evaluation that begins from and is continuously grounded in the primary goals and purpose of the organization and the project.

5. **Ethics and Cultural Competency**

   High ethical standards and cultural competency are critical components in evaluation design and execution. These components ensure that evaluations are designed and implemented to protect participant rights and confidentiality, and are equally accessible to and yield equally valid data from diverse populations served. Ethical and cultural considerations involve mindful and intentional definition of your theory of change (see Framing Research Questions that Reflect Who is Expected to Change » We All Count), inclusion of representative actors in the design and interpretation of evaluation, and selection of data collection approaches that respect and honor the ethical and cultural frameworks chosen. (See Hazel Symonette discuss Power, Privilege, and Competence; frameworks within the Culturally Responsive and Equitable Evaluation' Vision and Voices of Emerging Scholars; the Just Practice Framework; or the Equitable Evaluation Framework)

EVALUATION APPROACHES AND PROCESSES

6. Theory of Change, Logic Model, or Systems Change Framework

The evaluation process is often informed by a theory of change, logic model, or systems change framework.

A theory of change is a causal model that explains how and why a desired change is expected.

A logic model is a visual image of the inputs, outputs, and intended outcomes of an activity or program. Logic models include intended outcomes that are realistic, specific, measurable, and appropriate to the size and scope of the organization's activities. A logic model may be based on a theory of change.

A systems change framework provides a conceptual map for thinking about complex evaluation navigating. All three provide a foundation for determining the effect of interventions in creating change.

(Examples: Logic Models, Theory of Change, and Systems Change Framework)

7. Key Evaluation Questions

Evaluation is based on the formation of key evaluation questions that determine the purpose of the evaluation process. Key evaluation questions provide the foundation necessary for determining the scope of study, the intended impact, and the methods for measuring change.

(Example: FSG's Key Evaluation Questions or Better Evaluation's Key Evaluation Questions or Jane Davison's Actionable Evaluation Questions)

8. Approaches to Evaluation

The types of questions that you hope to answer with your evaluation will guide what approach is most appropriate.

Evaluation can be formative in nature (that is, it is intended to assess and improve a program or process as it is being developed or implemented) or summative (i.e., it analyzes and reports on results retrospectively). Both serve valuable, but different, purposes: formative evaluation is focused on program design or operations, and summative evaluation focused on measuring impact. (Examples: Better Evaluation, Evaluation Center Checklists, and Credible and Actionable Evaluation)

9. Different Types of Data

The evaluation process may include a variety of activities and instruments intended to provide answers to the key evaluation questions and includes the analysis of both qualitative and quantitative data, and ideally includes both.

Qualitative data is information that does not lend itself to being counted but provides deeper insight into individual experiences and perspectives such as participant interviews, focus group discussions, open-ended survey questions, or observations of a program in action.

Quantitative data is information that can be summarized using numbers and helps understand the scale or magnitude of an experience or outcome and is collected through test scores, surveys, and program enrollment records.

Mixed or Multi Methods is when an evaluation uses multiple types of data and considers whether the information from different sources validates each other, some call this triangulation. For example, an evaluation may start with a focus group, analyze survey data, and then end with interviews. Or, an evaluation may contextualize survey results with internal documents and census data.

Resources:

- Mixed Methods and Triangulation

END USES

10. Comprehensive Evaluation

A comprehensive evaluation should include both process and impact components:

- **Process evaluation** includes descriptive information such as the number of individuals served, demographic information, participation rates and intensity, and other items that can help an organization determine if the implementation of an activity aligns with plans and is operated efficiently (i.e., did the program serve the intended population?)
- **Impact evaluation** determines if the intervention created the change intended. Impact evaluation requires that the outcomes being measured accurately capture the intended outcomes of a program. Some prefer to use instruments that have been determined to be reliable (consistent) and valid (accurate) in measuring the subject of the intervention. Measures are often adapted from validated measures to meet the clients context, population, and program (for example, adapting survey questions made for adults for children). Oftentimes with large system level change, impact is evaluated qualitatively through observed changes by key stakeholders (and collected through qualitative interviews or focus groups) and validated with documentation ranging from newspaper articles to state legislation.

11. Identifying Trends and Comparisons

A comprehensive evaluation should include thorough analysis of data to identify trends and the characteristics of impact to inform future practices. While measuring changes from the beginning to the end of an intervention for those that participated is fundamental to analysis, additional comparisons within and outside of your participant group can help provide nuanced insights. For example, you may wish to compare how participants of different ages differed on the outcome(s) you are tracking. Or, you could compare how the outcome(s) of interest among your participants varied from those who did not participate in your program. It is important to be thoughtful and intentional when selecting comparison groups, as there are many factors that can cause differences in outcomes that may have nothing to do with your programming (or the focus of your evaluation). Additionally, how we define our comparison groups can make implicit judgements on which group is 'better' or who represents the 'standard'. Consider this discussion as just one example of different ways to compare results among groups and how the same findings present different conclusions:

12. Evaluation Conclusions

The evaluation process should include conclusions and recommendations for application in future activities. An evaluation should answer the questions posed in designing the evaluation process. Was the intended impact achieved? Why or why not? What characteristics or circumstances contributed to the results? Effective evaluations do not simply report on the findings but also provide a contextualized interpretation and application of the findings. What can be learned from these results? What other knowledge (e.g. frontline experience, on-the-ground context) is important to understanding why the results showed what they did, and how they can be used in the future?

13. Communicating Findings

Inaccessible results, whether because they are not communicated at all or because they are communicated in a manner that is hard for key actors or decision-makers to apply them, cannot help drive change. Nonprofit organizations should regularly communicate results to internal (e.g., staff) and external (e.g., funders) stakeholders and use these results in the planning process to inform and improve the overall impact of the organization. The communication methods and content should be appropriate to the intended audience, which means that multiple modalities and versions of evaluation results are likely necessary.

The final product of an evaluation can vary, and should address the original intent of the evaluation program. For example, the end product could be a board report, a publicly available data dashboard, an embedded monitoring dashboard, a slide deck, or any other knowledge products.

Resources:

- Ann Emery, Stephanie Evergreen, and FSG's Facilitation of Group Learning
- Storytelling Software: Excel, JuiceBox, Infogram, Canva

CAPACITY

14. Evaluation Capacity

Nonprofits should expect to invest considerable planning, staff time, and monetary resources into evaluation. Evaluation can be done internally or through an external expert. In either case, the capacity of staff to implement or support evaluation is key to success and sustainability.

Elements of evaluation capacity include:

- buy-in and training of leadership and key staff regarding the value of evaluation, the importance of proper evaluation and analysis, and the application of evaluation results to inform program processes;
- creating a culture of continuous improvement by applying the results of evaluation to program and organizational efforts;
- established evaluation procedures for collection, safe storage, analysis, and reporting of data; and
- in-house or contracted expertise to appropriately analyze and report on the resulting data.

See references at the end of this document for a sampling of places to receive further training and development in evaluation.

ORGANIZATIONAL ADAPTATION

15. Evolving Evaluation and Methods

Evaluation should evolve alongside organizations and programs. Because evaluation drives organizational learning and can lead to program modifications, and because nonprofit organizations operate in dynamic environments, the questions that organizations seek to answer through evaluation will shift over time, and correspondingly so may the methods used to address them. The conclusion of any evaluation should involve a multi-faceted assessment of what worked well and what could be improved for the next cycle. Evaluation should never be considered 'complete' but rather should be an ongoing and continuously evolving process.

16. External Evaluator

Nonprofits may choose, or be required by funders, to contract with an external evaluator (for example, as required by GPRA for federal grants). An external evaluator can bring expertise to the evaluation process to inform the development, implementation, and analysis of the evaluation process and data. Organizations should consider working with an external evaluator when the evaluation requires technical or specialist knowledge beyond that possessed by the organization, there are not enough internal resources (time, software, etc) to sufficiently fulfill the evaluation, or the process would benefit from an outside perspective.

For clarity, evaluators are different from researchers or program managers. Evaluation lives at the nexus of research methods and program management. Evaluation differs from research because its end goal is to create useful findings for a stakeholder group. In contrast, a researcher's goal is to test a hypothesis or research question to broaden the scientific knowledge of a theory. Evaluation differs from program management due to the investment in the outcomes: evaluators seek to represent the results while program managers seek to perpetuate strong program outcomes.

External evaluators should possess knowledge, experience, and skills to meet the goals of the evaluation. When selecting an external evaluator, you may not be able to fully vet the technical or specialist skills that the evaluator offers. But you should verify that the evaluator has done similar work for similar projects or organizations while understanding your unique needs, you should review references from past clients, and you should feel very comfortable with the evaluator's communication style/methods. An external evaluator should be able to provide a detailed plan for developing your evaluation project (this may be part of a contracted 'discovery phase'). After the completion of the project planning period, the plan should include all the elements reviewed in this documentation, with clear definitions of the desired end products and questions to be answered in order to achieve the primary goals of the evaluation. The external evaluator does not need to be responsible for every part of this process, either - you can work together to determine who the best owner of any part is, as long as there is alignment and clarity among both parties.

As a project is being proposed, ensure that there are protocols in place for the complete transfer of results and methods to the organization so that the evaluation can be modified or repeated without necessarily using an external evaluator again in the future.

Finding an evaluator you are comfortable with and trust is important. Below are some suggested steps:

Visit Professional Evaluator Websites

The Colorado Evaluation Network (COEN) is a statewide organization of evaluators and users of evaluation services. COEN sponsors professional development seminars and a website full of evaluation contracts and resources.

The American Evaluation Association (AEA) and Canadian Evaluation Society (CES) are national membership organizations of professional evaluators involved in studying and conducting program evaluations. These organizations support professional development activities and set national standards for ethical and professional practices in the field of program evaluation.

International Organization for Cooperation in Evaluation (IOCE) is an international organization of program evaluation associations around the globe.

Talk to Experts

The American Evaluation Association supports EvalTalk, a worldwide list that includes over 3,000 professional evaluators and users of evaluation services. Anyone can access EvalTalk to ask questions and issues related to program evaluation.

Network

Talk to others in your field and ask whom they have worked with in the past. Can they recommend anyone or advise in your selection? Consider joining CoEN and sharing your needs on the list-serv.

Requests for Proposals (RFPs)

A request for proposal (RFP) is a formal document explaining your specific project needs, and can be sent out to a broad audience of potential partners. It makes it easier to broadcast your project accurately, and can increase the chances of finding a good partner. RFPs can also help you gain clarity about your desired outcomes of the project and ensure everyone within the organization is on the same page as well.

There are some considerations for RFPs:

- They take time to prepare. The bigger the project, the longer the RFP will need to be.
- The responses will also require time to review in detail and assess.
- There is some discussion as to whether RFPs reduce the likelihood of sole practitioners and small businesses getting the opportunity to work on these projects, as larger and more resourced organizations are more likely to have the discretionary time and personnel to complete the detailed responses required to win a project through an RFP.

One alternative to RPFs is a Request for Information or even a simple Letter of Intent. These options are more streamlined requests for general suitability of a potential partner for the project, require less effort to complete, and less effort to review. Then you can invite your top candidates to submit a complete proposal.

You can ask the evaluation firm to write a proposal. Sole source evaluation opportunities, where an evaluation customer has requested a proposal from one evaluation firm, are normal within the field of evaluation.

If you are unsure how to write an RFP, we have some examples here (add link to RFPs).

RESOURCES FOR CONTINUING EDUCATION

Evaluation Training Opportunities

- American Evaluation Association Trainings
- EnCompass
- Summer Evaluation Institute
- The Evaluators' Institute

Associations and Forums (Many also have online and in-person workshops)

- American Evaluation Association
- Canadian Evaluation Society
- Colorado Evaluation Network
- Colorado Collaboratory on Equitable Evaluation
- Culturally Responsive Evaluation and Assessment
- EvalPartners and EvalYouth
- Gender and Evaluation
- International Organization for Cooperation in Evaluation
- Proteknon Research Network

Guides to Evaluation

- Self-Study Guide - Program Evaluation - CDC
- Rainbow Framework - Rainbow Framework (betterevaluation.org)
- Chapter 39. Using Evaluation to Understand and Improve the Initiative | Section 1. Using an Evaluation System to Answer Key Questions About Your Initiative | Main Section | Community Tool Box (ku.edu)

FINANCIAL MANAGEMENT PRINCIPLES

Nonprofits have an obligation to act as responsible stewards of their financial resources. Nonprofits must comply with all legal financial requirements and should adhere to sound accounting principles that produce reliable financial information, ensure fiscal responsibility, and build public trust. Nonprofits should use their financial resources to accomplish their missions in an effective and efficient manner, and should establish clear policies and practices to regularly monitor how funds are used. Adherence to best practices is critical to maintaining compliance and public trust.

Key Resources:

Training: Accounting For Your Goals - IRS Form 990

Training: Investment Best Practices for Nonprofit Fiduciaries

Training: Financial Analysis for "Smarties"

ROLES AND RESPONSIBILITIES

1. **Financial Management Responsibilities**

   Various roles within a nonprofit have financial management responsibilities: board of directors, treasurer, finance committee, audit committee, management, chief financial officer and/or controller. Each role has a responsibility to understand the financial statements and perform key oversight functions.

2. **Finance Committee**

   The treasurer of the organization should serve as the chair of the finance committee. Nonprofit finance committees are responsible for overseeing and managing the organization's financial matters. They typically handle tasks, working with key staff members, on such matters as budgeting, financial reporting, investment management, risk management, long-range financial and capital plans, internal controls and policies, and ensuring compliance with financial regulations. The committee plays a crucial role in ensuring the nonprofit's financial stability and accountability. The committee performs such other duties as may from time to time be required by the board. An organization should consider all of its financial responsibilities in selecting finance committee members. A diverse group with experience in the various areas of finance assists the organization in managing its financial operation comprehensively.

3. **Audit Committee**

   The board should designate an audit committee, which should include board members. Subject to board approval, the audit committee should hire an external auditor. The audit committee should oversee and evaluate the audit process, meet with the auditor to review the audit's content, and present the audit to the full board for its review and approval. It is permissible to have a combined finance and audit committee. If possible, an audit committee should be independent of the finance committee as auditors are effectively assessing the performance of the finance committee (Form 990).

   The existence of separate finance and audit committees is based on each organization's needs and resources. In the remainder of this section, "finance/audit committee" may indicate one or either committee depending on the individual entity structure.

FINANCIAL MANAGEMENT PRINCIPLES

ACCOUNTABILITY

4. **Financial Reports**

   A nonprofit should produce consistent and accurate financial reports, including a balance sheet, a statement of activities, and a cash flow projection at least quarterly. The balance sheet should compare the prior fiscal year-end, and the income and expense reports (known also as a statement of activities) should also compare the budget for the same period to the actual income and expenses, along with explanations for significant variances. In addition, dashboard reporting should be provided to monitor key performance indicators (KPIs). The KPIs may include the current ratio, liquidity analysis, reserve calculation and expense ratios, and any other information required to effectively manage the organization. Internally prepared financial statements may be prepared on the accrual basis of accounting, or on another basis of accounting if that is more meaningful for decision making purposes (such as the cash basis).

5. **Review of Financial Statements**

   The financial statements should be reviewed by management, the finance/audit committee and Board of Directors. All board members should receive appropriate training on how to read and understand nonprofit financial statements. Board members should be actively engaged in reviewing financial statements and providing fiscal oversight. While the detailed analysis and review of the financial statements may be performed at the finance/audit committee level, the board retains fiduciary responsibility.

6. **Review of IRS Information Returns**

   A nonprofit's chief executive officer, chief financial officer (or equivalent), board, and audit committee should thoroughly review and approve the IRS Form 990 and 990T (if applicable) to ensure that the organization's filings are accurate, complete, and filed on time with the IRS (990).

7. **Audit or Review of Annual Financial Statements**

   A nonprofit should have a qualified independent certified public accountant audit or review the financial statements annually or in a manner appropriate to the organization's size and scale of operations, or as specified by the bylaws. The organization should coordinate the timeline of the audit or review with the auditor so that organization team members can plan accordingly for information request deadlines and meeting times. In the process of the audit, the auditor should be given the opportunity to meet in executive session with the organization's board separately from management and staff.

   The independent financial audit or review should be reviewed and approved by the finance/audit committee and/or board of directors, as required by the nonprofit's policies. The auditor should present the draft of the audit or review report and management letter (if applicable) to the finance/audit committee, and/or board of directors to provide explanations of noteworthy items or changes in reporting requirements, and respond to questions.

8. **Open Communication**

   A nonprofit must openly communicate the annual reporting information contained on its Form 990 to constituents and others who request such information (IRC § 6104; 990). In addition, nonprofits should share, at least annually, an overview of data regarding sources of revenue, functional expenditures, and related outcomes. This is often presented within an annual report.

9. **Annual Budget**

   The board of directors should review and approve an annual budget for the organization. While the board should determine the appropriate budget needed to achieve its mission, the board should also consider external industry benchmarks for expenditures on programs, administration, and fundraising.

The budget should include adequate funds for appropriate staff salaries and resources to achieve its mission. In addition, the board should ensure that the budget addresses not only the operational needs of the nonprofit, but also the capital expenditures/replacements, and is supportive of the long-term strategic plan.

While generally prepared on an annual basis, the budget should also provide and address more forward-looking cash and financial needs.

The board should also consider budgeting for a reasonable surplus in order to establish, increase, or maintain adequate reserves.

10. Donor Restrictions

A nonprofit must comply with specific conditions placed upon donations [C.R.S. § 15-1-1103 through 15-1-1109; C.R.S. § 6-16-111(1)(i)]. Donated funds must be clearly categorized based upon the existence of donor restrictions in the organization's financial statements and communications in accordance with the donor or grantor wishes, stipulations, or intent (990). Donor restrictions may include restrictions for a specific purpose, or a specific time frame.

11. Accountability for Restricted Funds

A nonprofit is responsible for monitoring and providing sufficient documentation, to both public and private donors, to support restricted expenditures that should be accomplished through the financial accounting system. Donors typically require reporting on the use of donated funds during and/or at the end of the grant period. Letters and agreements from donors or grantors should be reviewed thoroughly to ensure necessary tracking or monitoring is implemented during the grant period to meet reporting requirements.

12. Public Support Test

To be considered a public charity, an organization must generally receive financial support from a sufficiently broad base of donors to meet the public

support test or the facts and circumstances test. A public charity that normally receives more than one-third of its total support from public support sources is generally considered a public charity. If the organization fails the public support test, it may still qualify under the facts and circumstances test [IRC § 170(b)(1)(A)(VI); 509(a)(1)]. An organization should consult with its CPA regarding its ability to meet this requirement if it has concerns. The IRS Form 990 includes information to show that the organization meets the test annually.

13. Management's Discussion and Analysis (MD&A)

A nonprofit may consider publishing MD&A in conjunction with its audited or reviewed financial statements. This document can serve as an opportunity to explain variances in financial performance and frame the expectations for the reader of the financial statements. It can be a meaningful tool to provide additional insight about how the nonprofit's mission and accomplishments are reflected in its financial statements.

POLICIES

14. Documentation of Financial Policies

In addition to specific policies noted herein, a nonprofit organization should take care that all financial policies and procedures are documented adequately. These policies should include information regarding internal controls, cross-training and succession planning. Documentation of relevant financial policies will ensure that the nonprofit can operate effectively should an unexpected change in personnel occur.

15. Compliance

A nonprofit must comply with all federal, state, county, and local financial reporting and tax laws. This includes withholding, reporting, and payment of federal, state, and local taxes and payroll taxes. In addition, nonprofits incorporated in the State of Colorado must comply with all Colorado Secretary of State requirements including charitable solicitation registration, periodic reports, and other informational requests. Each jurisdiction and government agency has compliance requirements with unique frequencies and due dates. An organization must be aware of the due dates for each of its compliance requirements.

16. Auditor Rotation

The audit committee should annually evaluate the quality of the audit firm and periodically put the audit out to bid. If maintaining the same firm, a nonprofit should consider requesting, if possible, a new audit partner every three to five years in order to ensure a fresh, objective perspective.

17. Whistleblower Policy

A nonprofit should have a system in place that allows individuals to report financial and other misconduct, and must ensure that there is no consequence for doing so – commonly referred to as a "whistleblower policy" (18 USC § 1107 – a.k.a. Sarbanes-Oxley; 990).

18. Expense Reimbursement

A nonprofit should establish and implement policies that provide clear guidance on its rules for paying or reimbursing expenses incurred by staff or volunteers on behalf of the organization. The policy should specify who is authorized to incur expenses on behalf of the nonprofit, the types of expenses that can be reimbursed, the approval and review process of expense reports, and the documentation required to substantiate expenses. Organizations often follow a policy of requiring two approvals if an expense exceeds a certain threshold. Such policies should require that travel and other expenditures on behalf of the organization be undertaken in a cost-effective manner. Expense reimbursement for the chief executive officer (or equivalent) should be approved by an officer of the board of directors.

19. Reserves

A nonprofit should establish an operating reserve policy in order to plan, establish, and maintain a liquid financial reserve at a level determined by the organization's management and board to adequately support its operations. A recommended target for reserves is three to six months of operating expenses. Organizations with capital property should also consider an appropriate capital reserve policy to adequately support future replacements and repairs of assets. Both operating reserves and capital reserves should support the nonprofit's strategic plan.

20. Investment Policy

A nonprofit should adopt and periodically review a sound investment policy which aligns the investment portfolio with the organization's strategic goals and risk tolerance.

An investment committee, separate from the finance/audit committee, may also be established to monitor the investment activity and ensure compliance with the policy.

STEWARDSHIP

21. Internal Controls

A nonprofit should devise and implement internal control procedures, such as dual controls and segregation of duties, in order to ensure accurate information and to help prevent fraud. An organization's auditor can be a resource for recommendations and best practices for internal controls that are appropriate for the organization's size and structure.

22. Protection of Assets

A nonprofit has a responsibility to ensure its assets are used solely for the benefit of the organization, and not for personal or other gains. A nonprofit should establish a policy regarding the personal use of assets, both tangible and intangible such as computers, phones, copy machines, donor databases, mailing lists, etc. Capitalized assets should be tracked and inventoried regularly. Property insurance for assets should be reviewed during the annual insurance renewal process to ensure that coverage amounts are appropriate.

23. Management of Funds

A nonprofit must manage and invest funds prudently and in compliance with conditions attached to funding (C.R.S. § 15-1-1103–1109; 990). The organization should monitor the use of its funds and resources to ensure compliance. In addition, nonprofits should consider and take advantage of technology and security tools provided by their financial institution in order to assist with this monitoring activity.

24. Related Persons Expense Reimbursement

A nonprofit should neither pay for nor reimburse travel expenditures (other than minor and incidental expenses such as refreshments served at an organization meeting) for spouses, dependents, or others who are accompanying individuals conducting business for the organization unless there is a business purpose for their attendance and participation.

25. Loans to Board Members and Key Personnel

A nonprofit must not make any loans to board members or officers (C.R.S. § 7-128-501). It should also expressly prohibit loans to key personnel or any other staff or volunteers (990).

26. Personal Use of Nonprofit Funds

A nonprofit must not allow personal use of its funds or business credit cards because any such transaction may constitute private inurement or an excess benefit transaction under the intermediate sanctions rules (IRC § 501(c)(3) and 4958; C.R.S. § 7-133-101; 990).

27. Credit Card Use

A nonprofit should establish and implement a policy that provides clear guidance on the appropriate use of business credit cards, including the timely remittance of supporting documentation. The policy should also provide consequences for unsubstantiated expenses and personal use of credit cards. The policy should specify oversight procedures including board oversight of the chief executive officer's credit card expenditures (990).

28. Revenues

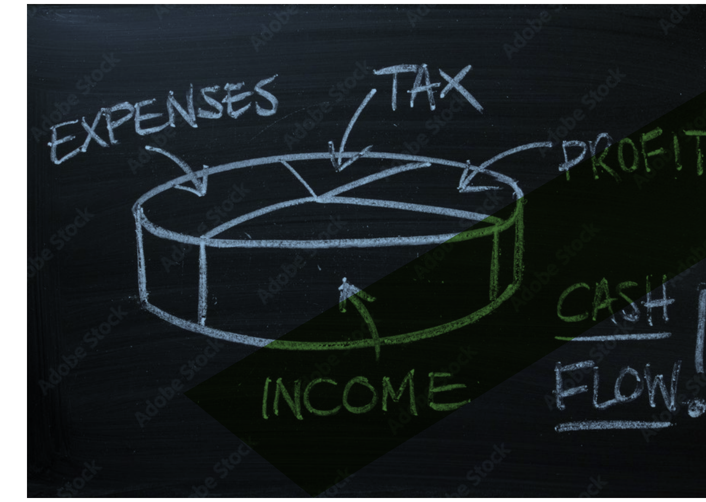
A nonprofit should work toward diversifying its funding sources as much as possible in an effort to strengthen the organization's sustainability and public support ratio, and to lessen the impact of a potential loss of a significant amount of its funding from any one source. Funding sources could include grants and contributions, earned income, investment income, and unrelated business income.

The nonprofit should monitor the impact of restricted revenue, and consider diversification of these revenue classifications

FINANCIAL MANAGEMENT PRINCIPLES

29. Expense Allocation

Expense allocation should represent the mission and activities of the nonprofit. An organization should spend an appropriate percentage of its annual budget on programs in pursuit of its mission. An organization should also provide sufficient resources for effective administration of the organization and, if the organization solicits contributions, for appropriate fundraising activities. There is a wide range of acceptable expense allocations within the nonprofit sector. Each organization should consider relevant industry subsector data to determine the reasonableness of its expense allocations. While effort should be made to maximize the mission related activities of an organization, a nonprofit should recognize the necessity of fundraising and administrative costs. Members of the board and management should review industry information related to this topic, such as The Overhead Myth Open Letter by Guidestar, BBB Wise Giving Alliance, and Charity Navigator.



30. Cash Flow/Liquidity

In order to facilitate smooth fiscal operations, a nonprofit should project, monitor, and make adjustments to cash flow as needed to ensure appropriate liquidity. Cash flow can be impacted by the sources and timing of revenue, such as restricted funding and reimbursable grants, as well as the timing of cash collections and expense outlays. A nonprofit may consider cash flow and liquidity tools such as an established operating reserve and/or an operating line of credit.

FUND DEVELOPMENT PRINCIPLES

Nonprofits provide opportunities for individuals and institutions to voluntarily contribute to causes of their choice and serve as the important vehicle for philanthropy.Nonprofits act as intermediaries between donors and beneficiaries, and have an ethical obligation to steward funds properly following donor intent to carry out their missions.

Nonprofits must comply with all federal, state, and local laws concerning fundraising practices. Nonprofit fundraising should be conducted according to the highest ethical standards for soliciting, accepting, recording, reporting, and using funds. Nonprofits should adopt clear policies for fundraising activities to ensure responsible use of funds and open, transparent communication with contributors and other constituents. A nonprofit should conduct its fundraising activities in a manner that upholds the public's trust in stewardship of contributed funds.

Key Resources:

Donor Bill of Rights

GrantStation

Colorado Grants Guide

Training: Planning a Successful Year End

Training: Five Essential Tools for Grant Writing

CHARITABLE SOLICITATIONS

1. Charitable Solicitations Registration

Unless excepted by law, prior to soliciting contributions from the public or engaging in cause marketing, a nonprofit must file a registration statement with the Colorado Secretary of State and annually renew its registration with updated financial information and any material changes [C.R.S. § 6-16-104 (1-6)]. If soliciting contributions in other states you will need to review that state's registration policy.

2. Professional Fundraiser Registration

Any professional fundraiser (a person external to the organization and not employed as staff) who consults or solicits contributions on behalf of a nonprofit must be registered with the Colorado Secretary of State prior to engaging in any such activities (C.R.S. § 6-16-104.3, 104.6). Nonprofits that contract with professional fundraisers must ensure such fundraisers are registered accordingly [C.R.S. § 6-16-104.3 (2, 9), 104.6 (2, 9), 104.9B]. In addition, nonprofits that engage paid solicitors must actively monitor the receipts and disbursements of those agencies or individuals [C.R.S. § 6-16- 104.6 (8-9)].

3. Training of Professional Fundraisers

A nonprofit should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their ethical responsibilities, and applicable federal, state, and local laws. In particular, this includes information they must disclose to donors (C.R.S. § 6-16-105,105.3), and prohibitions on techniques that are coercive, intimidating, or constitute harassment of potential donors.

4. Fundraising that Supports Mission

A nonprofit should pursue and accept funding, whether unrestricted or restricted, that is in alignment with the organization's strategic direction and mission. In conducting such fundraising activities, donor intent must be honored, and a nonprofit must not jeopardize tax-exempt status.

5. Fundraising Communications

Fundraising communications should include clear, accurate, and honest information about the specific organization, its activities, and intended use of funds in support of the organization's mission.

6. Fundraising Revenues

A nonprofit should diversify its funding sources as much as possible to sustain the organization, increase its percentage of public support, and mitigate the impact of a potential loss of a significant amount of its funding from any one source. Diversification may include various types of grants, sponsorships, individual donations, and bequests in addition to other organizational revenue streams.

FUNDRAISING STRATEGIES

7. Donor Options

A nonprofit should educate donors about the many different ways they can make gifts including outright cash gifts in response to direct asks, direct mail, phone calls, digital philanthropy, planned gifts (such as bequests, real estate, stocks, gift annuities, and various forms of trusts), blended gifts (mix of a cash and non-cash assets), and donor-advised funds.

8. Charitable Games of Chance

A nonprofit that conducts auctions, bingo games, raffles, or other such games must know and comply with legal requirements for these charitable games of chance. Organizations must seek approval from the Colorado Secretary of State and the Internal Revenue Service in advance and should contact these agencies for further information [(CCR § 1505-2(3.0); C.R.S. § 6-16-110; 990)].

9. Digital Philanthropy

A nonprofit that engages in digital philanthropy should be aware of how this may require different strategies and costs associated with engaging donors, volunteers, and other stakeholders than traditional fundraising engagement strategies. Digital strategies can include email solicitation, crowdfunding, peer- to-peer fundraising, social media, digital advertising (e.g., Google grants), and inbound marketing tools. Through a sophisticated online program, a nonprofit can significantly increase participation among donors and volunteers, acquire new donors, and be able to convey its story to a broader range of parties and communities.

10. Fundraising Events and Galas

A nonprofit that raises funds through events and galas should develop plans that account for the substantial planning and human and financial resources involved. Plans should include but are not limited to:

- goals for the event regarding finances, communications, and donor cultivation and stewardship;
- sufficient time for planning and implementation;
- having a sufficient budget for the event including costs of staff time, volunteer engagement, venue, food, and beverage, décor, entertainment, event insurance, and technology;
- tactics for intentional engagement with audiences and stakeholders at the event;
- consideration of the demographics of stakeholders and populations including how they can benefit and participate in the event;
- any competition with other similar events;
- roles and responsibilities of staff and volunteers assisting with the event; and
- necessary permits and licenses (e.g., liquor license, raffle license, event insurance etc.).

FUND DEVELOPMENT PRINCIPLES

ACCOUNTABILITY TO FUNDERS

11. Donor Restrictions

A nonprofit must comply with specific conditions placed upon donations [C.R.S. § 15-1-1103-1109; C.R.S. § 6-16-111(1)(i)]. Donated funds must be clearly categorized per applicable accounting standards as unrestricted, temporarily restricted, or permanently restricted in the organization's financial statements and communications, and in accordance with the intent and wishes of the donor or grantor (990).

12. Acknowledgment of Donor Gifts

A nonprofit should acknowledge all charitable gifts to the organization as a best practice of donor stewardship. To enable a donor to receive a charitable deduction, a nonprofit must provide timely written acknowledgement (traditional mail or electronic mail) to the donor to substantiate contributions [IRC § 170(f) (17)]. To acknowledge particular types of gifts, nonprofits must adhere to specific requirements. This includes:

- providing a receipt for contributions in cash (including those paid by check or credit card) or property (in-kind or non-cash) when the fair market value of the gift is at least $250 [(IRC § 170(f)(8); 990];
- sending a written acknowledgement to donors who make a contribution in excess of $75 in which there is a benefit to the donor (i.e., a ticket to a fundraising event when the ticket price exceeds the benefit to the donor) [IRC § 6115(a); 990];
- Fair Market Value equals the tangible benefits a donor receives, if they attend an event, which includes cost of meal/beverages for guest(s). An estimate of how much it would cost someone to attend the same type of function in a commercial setting.
- special requirements that apply to non-cash donations when the fair market value is more than $500. This may depend on the item of value that is donated in order to accurately reflect the value of a non-cash contribution; It is the donor's responsibility to determine the value of non-cash donations.
- a qualified appraisal to substantiate a donation of property when the fair market value exceeds $5,000 [26 CFR §1.170A-17(a), (b); 990].

13. Donor Confidentiality

While a nonprofit should strive to publicly recognize donors when appropriate, donor confidentiality should be maintained when requested by the donor. A nonprofit should not share, trade, or sell contact information for any donor without prior permission from the donor. Personal information about potential donors collected in prospect research should also remain confidential. Email lists should be easy to opt-in/opt-out.

14. Donor Stewardship and Grant Relationships

A nonprofit should regularly communicate with donors and grantors regarding its activities and expenditures of funds and impact of support in periodic or final reports, as agreed upon at the time of donation. Responses to questions or requests for additional information should be provided in a timely fashion.

FUND DEVELOPMENT PRINCIPLES

POLICIES AND PROCEDURES

15. Fundraising Technology

Nonprofit organizations should consider how to best utilize available fundraising and marketing technology and evaluate the costs and benefits of various solutions. In- depth vendor research should be conducted when considering an online solution. When implementing fundraising technology, organizations should consider factors including but not limited to:

- audiences;
- privacy policies;
- any data transfer;
- information technology infrastructure and capability; and
- types of online payment processors.
- Have a plan to respond to security threats, ransom attacks, and breaches.

16. Application of Funds Raised

A nonprofit should apply a significant percentage of each dollar raised to programs and services in accordance with practices of comparable organizations and commitments made to contributors and the public.

17. Code of Ethics

A nonprofit should be familiar with and implement a code of ethics as it relates to its fundraising practices.

The Donor Bill of Rights is a set of ethical guidelines that outlines the rights and expectations of individuals who contribute to nonprofit organizations. It emphasizes transparency, respect, and accountability in fundraising efforts. The Bill of Rights typically includes principles like the right to know how donated funds are being used, the right to privacy, the right to accurate and truthful information, and the right to be treated with respect. It aims to promote trust between donors and nonprofit organizations.

18. Compensation of Fundraising Professionals

For overall fundraiser compensation, please review the most recent Colorado Nonprofit Association Salary and Benefit Survey.

A fundraising professional should not accept compensation or enter into a contract that is based on a percentage of contributions.

Fundraisers should not accept finder's fees or contingent fees. Fundraisers are permitted to accept performance-based compensation, such as bonuses, only if such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.

19. Persons Raising Funds

A nonprofit should be familiar with the legal distinctions between staff, consultants, volunteers, and contract employees, and should ensure that its staff has the knowledge and ability to adequately manage and supervise all fundraising activities. This is especially important if the organization uses outside contractors for fundraising.

Fundraisers should not nor be expected to bring connections from a previous nonprofit job to a new nonprofit employer. Any relationships created at one nonprofit are not transferable to a new nonprofit. All donor and prospect information created by or on behalf of an organization or client is the property of that organization or client.

20. Board's Role in Fundraising

The board should support fundraising efforts to meet the organizational budgeted objectives. A board should also ensure that all fundraising is implemented according to law and ethical practice. One-hundred percent of board members should give annually to the organization or in accordance with a written board giving policy.

21. Gift Acceptance Policy

A nonprofit should have board-approved policies in place that govern the receipt, active management, and reporting of gifts (cash or non-cash), and grants. A nonprofit should adopt clear policies regarding the acceptance of gifts (cash or non-cash) to the organization and personal gifts from any constituent to staff members, board members, and volunteers.

22. Declining Gifts

A nonprofit should decline gifts (cash or non-cash) that would bring about adverse conditions, (i.e., expenses or capacity) for the organization or its constituents and gifts given for purposes outside the scope of its mission. Nonprofits should implement clear policies, based on the organization's exempt purpose, to determine whether accepting a gift would compromise the ethics, financial circumstances, program focus, or other interests of the organization.

23. Accepting Funds from the Marijuana Industry

Although in Colorado both medical and recreational marijuana are legal, marijuana remains illegal under federal law, where it is classified as a controlled substance under the Controlled Substances Act (CSA) (21 U.S.C. § 811).

A nonprofit that accepts donations from the marijuana industry risks violating federal law and incurring federal enforcement even though such donations may not be prohibited by Colorado law. Nevertheless, if a nonprofit considers accepting donations from the marijuana industry, it should take the following steps:

- consult legal counsel;
- review current gift acceptance policies; and
- assess the benefits of the gift and whether or not accepting the gift would bring about adverse conditions for the organization or its constituents.

If a nonprofit receives federal funds through a contract or grant, it must not accept donations from a marijuana retailer because that contract or grant would most likely prohibit violating federal law as a condition of receiving those funds.

24. Nonprofit Privacy Policies

A nonprofit should have a clear privacy policy that can be easily located on its website to provide transparency to donors and the public about how their personal information is used and disclose data security practices.

The policy should include how donors' personally identifiable information (PII) is used, explain data security practices, and uses for information for digital philanthropy and engagement. Privacy policies may require specific sections based on organizational activities (e.g., use of health data in hospitals, behavioral marketing practices, etc.).

Because nonprofits collect, use, store, and in some cases, disclose PII, having a privacy policy is critical. PII is data that can identify one individual from another, and includes information such as name, address, phone number, email, credit card, or other payment information.

GOVERNANCE PRINCIPLES

Nonprofit corporations are created under state law (the Colorado Revised Nonprofit Corporation Act or CRNCA) (C.R.S. § 7-121-101 to 137), and for the most part, state law determines how they are governed. In addition to what is required by state law, a nonprofit's articles of incorporation, bylaws, and board policies should provide more specific policies and procedures to govern the organization's activities.

Members of the governing body, typically the board of directors or board of trustees, must be aware of the legal fiduciary duties related to their work: the duty of care, the duty of loyalty, and the duty of obedience.

Colorado law requires directors to discharge their duties to the nonprofit in good faith; with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and in a manner they reasonably believe to be in the best interests of the nonprofit (C.R.S §7-128-401). Fiduciary duties are intended to ensure a high degree of care and complete loyalty to the nonprofit to protect charitable assets held for the benefit of the public rather than for individuals.

Directors meet the duty of care, among other things by:

- exercising their responsibilities in good faith and with diligence, attention, care, and skill;
- Ensuring and overseeing the purposes, mission, and strategy of the nonprofit;
- complying with the organization's governing documents (articles of incorporation and bylaws);
- devoting the necessary amount of time and attention to the affairs of the nonprofit so they will be able to make reasonable and informed decisions. This means that directors have the duty or obligation to be informed, ask questions, participate in deliberations, and exercise judgment;
- requesting expert advice if a decision requires information and judgment that is outside the board's experience and expertise;
- understanding fiduciary responsibility for the nonprofit; not simply "rubber stamping" management requests, but instead developing the habit of requesting information needed to make a good decision. The focus is governance, not operations or management.

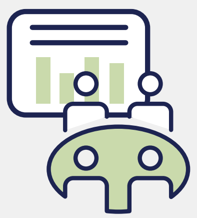
Key Resources:

- Board matrix template
- Executive director review template
- Board member job description
- Board meeting minutes template
- Whistle blower policy
- Conflict of interest policy
- Board self assessment
- Sample Bylaws

A NOTE ABOUT GOVERNANCE

Day to day operations, programs, fundraising and communications make up the core of a nonprofit's activity. It's important to understand how they operate, what legal obligations they have, and the various structures under which they operate are important to understand.

Governance is what allows a nonprofit to function, to collect donations, to be tax exempt, and to operate within the legal entity as outlined in State and Federal (IRS) law, This section, although not legal advice, does provide broad overview of the most important elements to ensure legal, ongoing, and compliant operations.



DUTY OF CARE

Meeting the duty of care includes both decision-making and oversight responsibilities, and is fulfilled by activities such as attending board meetings regularly, entering discussions, reading minutes, understanding the organization's programs, maintaining a careful oversight of finances, and questioning unclear or troubling activity (C.R.S. § 7-128-401).

This also includes board member participation in strategic planning.

DUTY OF LOYALTY

Directors meet the duty of loyalty by placing the interests of the organization before their own interests or those of related parties and avoiding the use of organizational opportunities for personal gain (C.R.S. § 7-128-401). Under CRNCA, a related party includes a spouse, a descendant, an ancestor, a sibling, the spouse or descendent of a sibling, or an estate or trust in which the director or a related party has a beneficial interest. In addition, a related party includes any entities for which a related party serves as an officer or director, or in which a related party has a financial interest. This should be documented by the board's Conflict of Interest Policy.

DUTY OF OBEDIENCE

Directors meet the duty of obedience by complying with federal, state, and local law, adhering to the organization's governing documents, and guarding the organization's mission. This not only refers to the letter of the law, but also the spirit of the law. Nonprofit organizations are held to a high public standard and boards should comply accordingly. Boards should stay informed on updates to the law and compliances practices within the organization.

GOVERNANCE PRINCIPLES

ROLE

1. **Board**

   Unless otherwise provided in the articles of incorporation, a Colorado nonprofit corporation must have a board (C.R.S. § 7-128- 101). The three primary roles of the board include establishing mission and direction, ensuring the necessary resources of funds and leadership to implement the mission, and providing fiduciary and executive director/CEO oversight.

   A nonprofit's board or other governing body, officers, and key employees are responsible for defining and upholding the organization's mission, vision, and values, and for providing overall strategic direction to the organization.

   Governing a nonprofit requires the board to manage its officers and ensure that the organization operates in furtherance of its charitable and tax-exempt purposes. The board operationalizes this responsibility through the creation of policy that provides foundational guidance to employees in the management of the organization, thus reinforcing the distinction of the board's role in governance from the employee's role to manage.

2. **Corporate (Board) Officers**

   Unless otherwise provided in the bylaws, a Colorado nonprofit corporation must have a president, a secretary, and a treasurer, and may have such other officers as may be designated by the board (C.R.S.§ 7-128-301). Each officer must be 18 years of age or older (C.R.S.§ 7-128-301). An officer need not be a director or a member of the nonprofit corporation, unless the bylaws so prescribe. While not required under federal tax law, the IRS generally expects to see, at a minimum, these three officers. Some organizations may use different titles or descriptions, and any modifications should be reflected in the bylaws.

3. **Board Member Job Descriptions and Responsibilities**

   Board members should be provided with a clear job description and understand their roles and responsibilities to the organization and to the public. Board members are responsible for fully understanding and carrying out their responsibilities.

Training:

Board and Staff Roles - The Invisible Yellow Line

GOVERNANCE PRINCIPLES

RESPONSIBILITIES: OVERSIGHT AND EVALUATION

4. **Compliance with Federal, State, and Local Laws**

   A nonprofits board and staff leadership must be knowledgeable about and comply with all applicable federal laws and regulations, as well as applicable laws and regulations of the states and the local jurisdictions in which it is based or operates (for example, laws, and regulations governing corporate activities [state], income tax laws [federal and state], charitable solicitations [state], and employment [federal and state]). In Colorado, the Attorney General has retained certain powers governing matters such as oversight of charitable assets, donor intent, and self-dealing, as well as enforcement of Colorado's Charitable Solicitations Act, and review of nonprofit conversions pursuant to their common law authority over charitable assets. Consequently, the board should confirm that policies and practices are in place to protect against a wasting of charitable assets, justify the reasonableness of compensation paid to members, directors, or officers, honor donor intent, and prevent improper personal benefit by insiders. Nonprofits conducting business and charitable solicitations in multiple states must comply with the regulations and guidelines of each state. If the organization conducts programs outside the United States, it must also abide by applicable international laws, regulations, and conventions.

5. **Approval of Fiscal and Governance Policies**

   The board should review and approve new or revised fiscal and governance policies including a conflict of interest policy, whistleblower policy, anti-discrimination, document retention and destruction policy, personal giving and gift acceptance policies, and an executive compensation policy (990). The Form 990, a publicly available document, requires organizations to disclose whether they have most of these policies in place. The board should also seek to ensure that proper accounting systems and internal controls are in place to detect and prevent fraud and embezzlement including, as appropriate, background checks for employees and volunteers and insurance coverages. The board and key staff should consider developing a matrix or list to clearly delineate the spending and decision-making authority of staff throughout the organization and the types and amounts of decisions that require board approval. This information should be shared with the board, staff, and the nonprofit's banking entities. It is often provided by a third party, independent financial review or audited financial statements. See section 6.

6. **Review of Financial Information**

   The board should annually review and approve the organization's budget to ensure that expenditures are in alignment with the organization's mission. Depending on the size of the nonprofit, the board or the appointed finance committee should review financial reports periodically – quarterly, at a minimum, and monthly, if possible. Colorado does not require an audit as part of the charitable solicitation registration process with the Secretary of State (C.R.S. § 6-16-104). Other state charitable solicitation requirements, private foundation grants, and receipt of state or federal government funding, may require an audit. If an audit is conducted, the board should review and approve the audit. The board should review the annual Form 990 (or applicable form in 990 series) prior to submission. Many foundations, however, do require independent financial reviews or audits, and this process is usually spearheaded by the Treasurer or a Finance/Budget Committee as outlined in bylaws.

   Form 990 requires disclosure on the board's review activity and process. As a publicly available document, the Form 990 should be carefully scrutinized by the board prior to submission. The board should be aware of all material state and local filings, such as registration renewals and periodic reports.

7. **Involvement in Strategic Planning and Strategic Alliances**

   The board should actively lead and engage in periodic review and revision of a strategic plan for the organization. Planning should incorporate consideration of strategic alliances with other organizations to maximize positive impact in the communities served. The plan should include goals and objectives in key areas to move the achievement of mission forward. Staff should participate in the planning process. The board should hold themselves and the organization accountable to the strategic priorities, goals, and objectives.

8. **Review of Board Composition and Governance**

   Periodically, the board should review its size, composition, and operational structure to ensure the board is best able to support the organization's mission, direction, and strategic goals. The board should systematically evaluate how well it is discharging its own duties by regularly assessing its own performance and using the findings to improve its operations and governance practices. The executive director/CEO can, but is not required, to contribute to this review.

9. **Review of Organization**

   The board should periodically review the organization's mission statement, articles of incorporation, bylaws, and corporate policies, and amend them as needed (according to a process outlined in the bylaws themselves) to reflect organizational growth and development.

10. **Executive Director/CEO Performance Review and Compensation**

    Annually, the board should conduct a performance review of the chief executive, including compensation. The board should assess the chief executive's performance based on organizational accomplishments, and the total compensation package should reflect industry standards and their performance. The governing body should consider other organizations' size, location, focus area, and other factors when selecting compensation data for comparison.

    The board or committee adequately documents the basis for its determination concurrently with making that determination.

    Both Colorado law and federal income tax laws prohibit the payment of more than reasonable compensation [C.R.S. § 7-133-102; IRC §§ 501(c)(3) and 4958]. To reduce its exposure to penalties relating to unreasonable compensation, the board should follow the process outlined under § 53.4958-6 of the Treasury Regulations.

11. **Succession Planning**

    The board should engage in short-term and long-term succession planning for the chief executive to ensure strong leadership and accountability for the organization during planned and unplanned times of transition.

12. **Distribution of Assets**

    The board should carefully review any distributions of the organization's assets, especially if the nonprofit is dissolving. Distributions by nonprofits are generally forbidden, with limited exceptions, such as transferring assets to another eligible and appropriate nonprofit.

RESPONSIBILITIES: DEVELOPMENT AND ROLE IN COMMUNITY

13. Fundraising Expectations of Board Members

To demonstrate their commitment to the organization, board members should volunteer their time, assist in ensuring external sources of funds, and give financially to the organization. Nonprofits should strive toward 100 percent of board members making a meaningful financial gift annually, based on means. Time, fundraising, and personal giving expectations should be clearly communicated in writing to all prospective board members during recruitment. Current board members should be regularly reminded to what they have committed to and reassess if the commitments remain adequate and/or relevant.

14. Board Members as Fundraisers

Board members are uniquely positioned to fundraise on behalf of their organizations. To do this effectively, a nonprofit should provide board members with appropriate training and support materials.

15. Board Members as Ambassadors and Liaisons

Board members should receive the training and education necessary to empower them to serve as ambassadors for the organization and its cause. Keeping in mind the oversight role of board members, board members should act as liaisons with the community by confidently articulating the organization's mission, accomplishments, and goals, and soliciting feedback and concerns that relate to the organization's mission. In this role, board members can effectively identify trends and current needs in the community.

16. Board Role and Advancing DEAI

Nonprofit boards set the tone for the organizations they serve. Leading DEAI engages the board with the exploration of values. A board should:

- ensure inclusiveness goals are included in the strategic plan;
- develop clear expectations with the CEO/ED, monitoring progress through the CEO/ED review process;
- establish relevant inclusiveness goals within the work of board committees;
- be ambassadors for the organization in diverse communities; and
- eliminate any policies or processes that intentionally or unintentionally create bias or discrimination in an aspect of the organization.

A wonderful resource to support board roles in DEAI is (https://www.councilofnonprofits.org/running-nonprofit/diversity-equity-and-inclusion/diversity-nonprofit-boards

RESPONSIBILITIES: INDEPENDENCE

17. Independence of Board Members

A substantial majority (typically, at least two-thirds) of the board members of a public charity should be independent. Independence means neither they themselves, nor anyone related to them (such as a spouse, sibling, parent, or child), nor anyone they reside with, should:

- be compensated by the organization as an employee or independent contractor;
- have their compensation determined by individuals who are compensated by the
- organization; or
- receive, directly or indirectly, material financial benefits from the organization, except as a member of the constituency served by the organization (990).

The board should review the independence of its members at least annually.

18. Conflict of Interest Policy

Each board should have a conflict of interest policy that includes a disclosure form, which is signed by all board members annually, and procedures for managing conflicts of interest and handling situations in which public and private interests intersect. The policy should obligate each board member to disclose all material facts and relationships and refrain from voting on any matter when there is a conflict of interest. A nonprofit should regularly and consistently monitor and enforce compliance with its conflict of interest policy (990). The IRS inquires about this policy on both the Form 1023 (application for recognition of 501(c)(3) status) and on the Form 990 (annual information return).

19. Compensation of Board Members

If compensation is paid, it must be reasonable in amount [C.R.S. § 7-133-102(b), 26 CFR §53.4958-4(b)(1)(ii); 990]. Board member compensation may void applicability of federal and state statutes providing immunity for board members' personal liability (42 U.S.C. §14503; C.R.S. § 13-21-115.7).

Board members should receive no monetary compensation for their board duties other than reimbursement for reasonable board- related expenses.

Training:
Making the Most of Your Board Meetings

PROCEDURES

20. Board Orientation

A nonprofit should provide its board members an orientation including a board manual with the history of the organization, governing and planning documents, policies, an overview of board responsibilities (aka job description), financial reports, fund development strategies, legal obligations, registration filings, and impending challenges.

21. Ongoing Board Training

The board should establish a continuous, effective, and systematic process for educating board members to ensure each member is equipped with the information needed to carry out oversight functions, act on all legal and ethical responsibilities, and be knowledgeable of the community served by the organization.

22. Board Nomination

The board should establish a process for recruiting, evaluating, and selecting new board members that will ensure adequate infusion of new ideas and diverse community perspectives, while preserving institutional memory (e.g., term limits and staggered terms).

23. Frequency of and Attendance at Board Meetings

Board meetings should be held regularly, with a minimum of quarterly meetings as a reasonable standard. Attendance requirements and expectations should be clearly spelled out in the organization's governing documents.

Board members should prepare for board meetings by reading the minutes from the previous meeting, the agenda, financials, and any additional information provided including committee reports.

24. Documentation of Board Meetings

A Colorado nonprofit must keep minutes of all board meetings, along with a record of any actions taken by the board without a meeting, as permanent records of the corporation (C.R.S. § 7-136-101; 990). Minutes of board meetings and records of actions taken without a meeting should be recorded contemporaneously and should include the date, time, attendees, motions, votes, and the name of the presiding officer. The minutes should be submitted by the elected secretary.

25. Voting Procedures

To satisfy the statutory default of a quorum, a majority of the directors must be present. A quorum must be present to vote on a motion. A nonprofit may authorize an alternate quorum in its bylaws if the authorized quorum consists of no fewer than one-third of the number of directors (C.R.S. § 7-128-205).

26. Action without Meeting/Electronic voting

Nonprofits must maintain permanent records of the corporation (C.R.S. § 7-136-101) and allow members, as identified in the bylaws or articles of incorporation, to inspect and copy permanent records during regular business hours if requested in writing (C.R.S.§ 7-136-102). Upon request, nonprofit corporations must also mail the most recent financial statements (C.R.S. § 7-136-106).

A board may act without a meeting through electronic voting or otherwise written voting if certain statutory criteria are met (C.R.S. § 7-128-202).

27. Confidentiality and Transparency

Boards of directors should aspire for transparency in operations and decision- making, whenever possible. There are, however, circumstances that demand confidentiality and as private corporations, nonprofit organizations have the right to not make corporate records available to the public. Boards of directors are not required to adhere to open meeting laws, except in certain circumstances when a governmental decision- making function has been delegated to a nonprofit corporation.

28. Committees

The board may designate and appoint one or more committees as needed to effectively govern the organization and carry out the board's responsibilities. Each committee should have a

GOVERNANCE PRINCIPLES

COMPOSITION

chairperson, and a charter or description of its authority and purpose.

29. Board Composition, Diversity, and Inclusiveness

A nonprofit should strive toward board representation that reflects the diversity of the community and the organization's constituency. In addition, board members should commit to cultural competency, diversity, equity, and inclusiveness as fundamental in advancing the organization's mission.

30. Board Size

Colorado law allows nonprofit corporations to have as few as one director, and the number of directors must be stated in, or fixed in accordance with, the organization's bylaws (C.R.S.§ 7-128-103; 990). However, to allow for sufficient deliberation and diversity of perspectives, it is recommended that nonprofit boards should consist of no fewer than three to five individuals, depending on factors such as the size of the organization and life stage.

31. Board Terms

Unless otherwise provided in the bylaws, directors of Colorado nonprofit corporations serve for one-year terms and without term limits (C.R.S. § 7-128-105). However, to ensure broad public participation, vitality, and diversity, boards of directors should establish a clear policy in the bylaws of the corporation on the length of terms, the rotation of directors (e.g., staggered terms), the number of consecutive terms a board member may serve, and the removal of board members. Board terms are strongly recommended for all boards of directors with a limited number of consecutive terms.

This policy should be stated in the bylaws and properly enforced by the board.

32. Board Member Removal

Clear policies should be established to provide for the removal of board members who prevent the board from doing its work (e.g., nonattendance or inactivity). A board member who is not able to fulfill their individual responsibilities, does not abide by the rules set by the board for itself, or displays illegal and unethical behavior does not belong on the board. Dismissing a board member before his/her official term is up should involve the participation of the full board.

33. Board Member Experience and Expertise

Board members should be strategically recruited to include members with the diverse skills, backgrounds, expertise, and experience necessary to carry out their governance role, capitalize on opportunities, and address challenges facing the organization. The board should include at least one individual with financial expertise (does not need to be a CPA), and all board members should receive financial literacy training.

34. Staff Serving on Boards

It is the generally accepted practice that staff members should not serve as voting members of the board in order to preserve independent oversight of the organization. If staff does serve, they should be ex-officio members without official voting status, no more than one employee of the organization (typically the chief executive) should do so, and that person should not serve as the chair, vice chair, secretary, or treasurer.

HUMAN RESOURCES AND ORGANIZATIONAL CULTURE PRINCIPLES

The ability of an organization to maximize the skills, knowledge, experience, and talents of its employees and volunteers is essential to accomplishing the organization's mission and creating a positive work environment.

Nonprofit organizations must ensure the organization follows fair and equitable practices that attract and retain qualified employees and volunteers. Like for-profits, nonprofits have a legal obligation to adhere to all applicable employment laws and to provide a safe and productive work environment, for both employees and volunteers. Each nonprofit organization should establish specific policies and practices that meet legal requirements, promote solid employee and volunteer relations practices, and include other stakeholders so that they can effectively work together to advance the organization's mission.

Your organizational culture determines your team's collective understanding of how your nonprofit operates. The right organizational culture can protect and demonstrate the core values your team upholds and increase team excitement and commitment. Defining organizational culture is a process. It takes time to build, and every member of an organization has a role in cultivating it. However, your nonprofit's leadership deeply impacts the direction in which it will grow and evolve.

Key Resources:

- Training: HR Summer Series
- Sample Employee Handbook
- New Hire Checklists
- Employee Performance Evaluation
- Exit Interview Form and Questions

LEGAL REQUIREMENTS

COMPLIANCE WITH EMPLOYMENT LAWS

1. **Understanding Labor Laws**

   The U.S. and Colorado Departments of Labor enforce many laws regarding employment. The nonprofit must understand and implement the laws applicable to its organization.

2. **Nondiscrimination and Anti-Harassment Laws and Policies**

   A nonprofit must comply with all federal, state, and local employment laws when hiring and employing personnel, including nondiscrimination and anti-harassment laws. The organization should have and communicate policies prohibiting discrimination and harassment, and a process for requesting a reasonable accommodation as identified under the Americans with Disabilities Act. The laws include nondiscrimination in the areas of:

   - age;
   - disability;
   - equal pay/compensation;
   - genetic information;
   - harassment;
   - national origin;
   - pregnancy;
   - race/color;
   - religion
   - retaliation;
   - sex; and
   - sexual harassment

3. **Workplace Activities Commonly Applicable to organizations, Job Seekers, and Grantees**

   A nonprofit has an obligation to establish and maintain a safe working environment, pay equitable wages, retain personnel and health records securely and privately, and employee protection (whistleblower). There are separate laws for family medical leave if the organization has 50 or more employees. These laws cover the following areas:

   - wages and hours;
   - Immigration and Nationality Act;
   - workplace safety and health;
   - workers' compensation;
   - employee benefits;
   - employee protection;
   - garnishment of wages and;
   - Family and Medical Leave Act (FMLA).

4. **Colorado Supplement for State Specific Policies**

   The State of Colorado has additional policies that may be more strict than federal policies. Some of these policies include:

- pregnancy accommodation;
- access to personnel files;
- leaves including adoption, family care, jury duty, crime victim, domestic violence
- victim, time off to vote, and other types of leave;
- discussion of wages, overtime, and lactation accommodations; and
- smoke-free workplace.

BEST PRACTICES

5. **Code of Ethics, Conflict of Interest**

   A nonprofit should establish a code of ethics and a conflict of interest policy that requires disclosure of any situation that could raise an appearance of a conflict interest. These include but are not limited to: prior or current working relationships, nepotism, and interested-party transactions. The policy should include a disclosure form, which is signed annually by board members, staff, and volunteers with decision-making authority, and procedures for managing conflicts of interest and handling situations in which public and private interest intersect.

6. **Workers' Compensation Insurance**

   A nonprofit must provide workers' compensation insurance for their employees if one or more full or part-time persons are employed. A nonprofit should implement policies and procedures for reporting workplace injuries.

7. **Wage and Hour Laws**

   A nonprofit must pay minimum wage under applicable local, state, and federal law. In addition, it must correctly classify positions as exempt, nonexempt, independent contractor, or employee in accordance with state and federal wage and hour laws, and pay any overtime afforded to the employee. Reasonable compensation needs to be set in accordance with Colorado law and federal laws, and should be set based on job analysis, as part of a compensation plan approved by the Board.

8. **Records Retention, Protected Health Information and Medical Records**

   A nonprofit should include both employee and volunteer records retention guidelines and procedures in its records retention policy that are consistent with applicable laws. A nonprofit must maintain confidentiality of all employee personnel files, with limited access generally through locked files in a separate room or area. Employee personal health information (PHI) must be kept strictly confidential, in a locked file. Written records containing employee PHI must be filed separately from the personnel file.

9. **Workforce Planning, Service Enterprises, and Volunteer Engagement**

   A nonprofit should engage in workforce planning to assure it has the human capital it needs to fulfill its mission. In view of the waxing and waning of grant-funded projects, this is typically difficult, if not impossible, for nonprofits to achieve exclusively with paid staff. Therefore, nonprofits will benefit from a well-developed volunteer strategy that engages volunteers at all levels of the organization including its operations and not limited to direct delivery of service.

   Applicable laws about what constitutes an employee should be understood, and not violated. In no case should an employee and a volunteer do the exact same job.

   While volunteer engagement is customarily directed by a senior professional on staff, all staff should be trained on effective volunteer engagement.

   Organizations that engage volunteers should design and implement a volunteer engagement plan that supports sustainability, capacity, and growth needs. The plan should assess organizational needs to establish effective position descriptions, recruitment, orientation, training, support, feedback, accountability, and recognition strategies; specify standards for inclusivity and background checks; and determine appropriate evaluation practices.

   An adequate budget should be provided for the volunteer program, including work space, supplies, training, recognition, background check when dealing with sensitive populations, and other line items to support the senior volunteer director, staff, and volunteers. The return on investment in the volunteer plan should be measured.

10. **Interns/Internships**

    A nonprofit that utilizes interns should be familiar with the Fair Labor Standards Acts (FLSA). An organization may choose to pay no compensation at all or may provide a stipend (e.g., a small amount of money paid for the entire summer, meals, or transportation). Under the FLSA, an unpaid intern is considered a volunteer. Nonprofits may engage unpaid interns only if the work they do is similar to the work of a volunteer. If the unpaid intern's job involves work the organization would normally pay someone to do, the intern must be paid according to FLSA requirements.

11. **Diversity and Inclusiveness**

    A nonprofit should strive to attract personnel and volunteers who reflect the diversity of the community and the organization's constituency. In addition, a nonprofit should value cultural competency, diversity, and inclusiveness as essential to improving the organization.

12. **Onboarding, Orientation, Standardized Training**

    All new personnel, paid and unpaid, should be oriented to the history, mission, impact, and programs of the organization, the position they will hold and how it relates to mission, a current job description, the organizational chart, and the people and resources that will be helpful to them in performing their job.

    Nonprofits should provide standardized training for all new personnel, paid and unpaid. The onboarding process should take the amount of time needed to understand the organization, policies, procedures, expectations, and specifics of the position. The paid and unpaid employees may have different onboarding processes.

13. **Management, Employee Development and Recognition**

    All individuals in a supervisory role should be trained in management skills, including how to set goals, hold personnel accountable, and be a resource for the support and development of personnel in the organization. Supervisors should provide ongoing coaching and real- time positive and constructive feedback, as well as monthly check-in meetings with all supervisees. Supervisors should also recognize a job well done and celebrate victories with staff and volunteers.

    The organization should actively provide personnel with opportunities for growth, advancement, and new challenges, within the options for the organization. Supervisors should have annual meetings with supervisees to discuss professional development goals, areas for further development to thrive in their current position, and plans for achieving these goals. These meetings should be separate from the performance evaluation process to encourage open discussion of strengths, weaknesses, and areas for growth.

14. **Employee Wellness, Work-Life Fit, Employee Benefits**

    To the extent of its ability, a nonprofit should provide personnel with benefits, such as health, mental health and dental insurance, paid time off, short- and long-term disability, and life insurance, as well as the opportunity to financially contribute to retirement plans.

    A nonprofit should actively support total employee wellness, including physical, mental, intellectual, occupational, and financial. Where appropriate, they should address secondary or vicarious trauma, chronic stress, and other mental health effects on service providers.

HUMAN RESOURCES AND ORGANIZATIONAL CULTURE PRINCIPLES

A nonprofit should assure that its leaders and employees discuss and hold each other accountable for avoiding excessive work-life conflict and overwork. It should support a healthy, balanced lifestyle, taking vacations and work breaks as needed, and flexible work arrangements.

15. Performance Evaluation and Discipline

A nonprofit should have an annual performance evaluation form that contains annual specific goals/ outcomes and general performance expectations. Supervisors should track and discuss the successes and challenges of their supervisees throughout the year, to avoid surprises at the time of evaluation. Employers often have employees perform a self-evaluation to initiate the process.

If a staff member is not performing well, the supervisor is responsible for providing coaching, training, and resources to help the employee improve. If improvement does not occur, supervisors need to hold staff accountable. Options include verbal warnings, written warnings, performance improvement plans, suspension with pay, and termination of employment. It is a best practice to consult with legal counsel prior to terminating an employee's employment.

A record of the evaluation, along with employee signature and comment, should be kept in the employee's personnel records, and should be used to help determine compensation.

16. Periodic Review of Compensation Structure

A nonprofit should establish and periodically review its overall compensation structure using industry-based surveys of comparable salaries and benefits, market data, and internal review. The organization should also establish and periodically review guidelines on employee benefits including medical insurance, retirement plans, sick leave, parental leave, vacation, paid time off, and other benefits as appropriate.

Both Colorado law and federal income tax laws prohibit the payment of more than reasonable compensation (C.R.S. §7-133- 102; IRC § 501(c)(3) and 4958; 990). To reduce its exposure to penalties relating to unreasonable compensation, the board of directors should consider the process outlined under §53.4958- 6 of the Treasury Regulations in order to position itself to create a rebuttable presumption that the compensation is reasonable by following each of these three steps:

- **Independent approval:** An independent governing body (or a committee acting on behalf of the governing body) approves the compensation arrangement. Usually this is a board of directors or a compensation committee of the board of directors
- **Comparables:** The board or committee obtains and relies on appropriate comparability data prior to approving the arrangement.
- **Documentation:** The board or committee adequately documents the basis for its determination concurrently with making that determination.

17. Chief Executive Performance Review and Compensation

Annually, the board should conduct a performance review of the chief executive including his/her compensation. The chief executive's performance should be assessed in light of organizational accomplishments, the organization's ability to pay, and the total compensation package should reflect industry standards and his/her performance.

18. Succession Planning

The board should engage in short-term and long-term succession planning for the chief executive, board members, and key staff to ensure strong leadership and accountability for the organization during planned and unplanned times of transition.

19. Handbooks

Having a clear handbook for employees and volunteers containing an organization's policies, procedures, and information benefits the organization, employees, volunteers, and other stakeholders. A handbook should contain the organization's mission, vision, and values. Sections should contain the organization's policies, procedures, and benefits, plus commitment to equity, diversity, and inclusivity, general benefits information, and adherence to local, state, and federal laws and regulations. The handbook should be approved by the board, and reviewed on an annual basis by the board and legal counsel if possible. An organization can choose to have one handbook, or one handbook for employees and a separate handbook for volunteers.

Training

What's Your Edge? Know and Grow Your Strengths

INFORMATION TECHNOLOGY PRINCIPLES

A nonprofit should gather and manage information in a manner that values and ensures security, confidentiality, safety, integrity, reliability, cost- effectiveness, accessibility, and legal compliance. A nonprofit should invest in appropriate technology to enhance organizational capacity and thereby improve its efficiency, effectiveness, and accuracy in achieving its mission.

Key Resources:

[Information Security Procedures]

[Training: Nonprofit Cyber Security Risk Assessment]

[Training: Creating Accessible Website Content]

[Training: What is Website Optimization? Why Does My Organization Need it?]

GENERAL

1. Information Systems

A nonprofit should have reliable information systems in place which provide timely, accurate, and relevant information to facilitate workflow and track the organization's data.

2. Responsibility for Information Technology (IT)

A nonprofit organization should designate at least one employee, preferably a manager, to oversee the planning, implementation, and ongoing use of information technology. This person should have sufficient expertise to make technological decisions regarding maintenance of the organization's systems, access to technical support, and coordination with outside assistance where necessary or efficient.

END-USER POLICIES AND TRAININGS

3. Acceptable Use Policy

A nonprofit should have an acceptable use policy (AUP) that addresses the employee's use of the organization's information technology tools such as computers, mobile devices, phones, email, external storage devices and internet access. This policy should state and define appropriate personal use of organizational technology, privacy expectations, and consequences for violation of these rules.

IT Equipment Policy

A nonprofit should establish a policy that outlines what IT equipment it will provide to staff and volunteers. Equipment should be standardized by position and job description rather than hierarchy. Standardizing equipment by position and job description provides clarity to staff and volunteers, promotes equity, and makes it easier to maintain and support the equipment.

Accessibility

A nonprofit should have a policy for evaluating the accessibility of their IT equipment and systems. This policy should address how the organization will ensure IT equipment and systems can be used by individuals who are neurodivergent or have auditory, visual, physical, or other disabilities. This policy should also clearly outline how staff and volunteers can request exceptions to standard IT policies to meet accessibility needs.

4. Bring Your Own Device Policy

If they are allowed in the workplace, a nonprofit should have a bring your own device (BYOD) policy for the use of personal technology devices, including but not limited to smartphones, tablets, and laptops, that are used to access or store business information or may use organizational resources such as network or internet bandwidth.

The policy should address any security requirements and access controls for use of these devices. A nonprofit must not require employees or job applicants to change privacy settings or disclose information enabling access to an employee's personal accounts or services, including social media accounts, on a personal electronic communications device (C.R.S.§8-2-127).

A nonprofit should make an effort to reimburse employees for use of their personal devices. This may include reimbursement for new device purchases and/or monthly data plans up to a set limit.

5. **Social Media Policy**

A nonprofit that uses social media should adopt a social media policy including:

- organizational purposes and goals for the use of social media;
- clear rules around the use of social media; persons or positions designated to oversee social media efforts; and
- procedures for using measurement tools to analyze the effectiveness of general social media use or particular campaigns.

6. **Technology Onboarding and Training**

A nonprofit should establish a plan to provide technology training to all staff and volunteers, based on their duties, to ensure the most effective use of technology. This plan should include training on safe and secure use of the organization's technology resources.

This plan should ensure that technology training occurs early in the initial onboarding process. This plan should also ensure staff and volunteers have continual access to training resources. These resources should be stored in a central, easily accessible location. If possible, training resources should be provided in a variety of formats (written guides, recorded videos, or live training sessions) to account for different learning styles. Additionally, the organization should make an effort to provide training resources in multiple languages when necessary to ensure all staff and volunteers can understand the resources.

INFORMATION SYSTEMS SECURITY

7. **Data Security Policy**

A nonprofit should have a policy that helps to protect and ensure the security and confidentiality of its data and technology assets including:

- **Passwords:** Requirements for length and strength of passwords to access data and organizational resources. According to updated guidance from the National Institute of Standards and Technology and Microsoft, password expiration policies do not improve security. Passwords only need to be changed when a threat is detected.
- **Multi-factor authentication:** Requirements for a secondary method of authentication (email codes, text codes, authenticator apps, etc.) to access key systems.
- **Malware protection:** Addresses how the organization will prevent computing devices from being infected by viruses, worms, and other malicious software.
- **Software updates:** Addresses how the organization will keep its business software up-to-date to protect against malware and intrusion. This should include operating systems, business software, and web software.
- **Network perimeter protection:** Addresses requirements for the organization to protect its private network from the public internet and ensure the security of wireless connections. This should include routine network vulnerability scanning.
- **Security of cloud-based services/ information:** Addresses security requirements for data and services that are not stored at an organization's offices.
- **Data access authorization and authentication:** Addresses process for determining who has access to what information, and then how that access is controlled.
- **Threat Monitoring:** Determines how your environment will be regularly monitored for cybersecurity threats and breaches and address who receives alerts in the case of a threat or breach.
- **Incident Response:** Determines appropriate measures for handling a security breach, including but not limited to incident evaluation and reporting, and future preventative measures.
- **Security awareness training:** Addresses end-user best practices that all users should follow and how frequently these practices should be reviewed with staff.

8. **Data Protection and Business Continuity**

A nonprofit should have data backup, disaster recovery, and business continuity plans to protect organizational data from corruption, deletion, or destruction and continue operations in the face of a disaster. These plans should include:

- requirements for establishment of recovery time (how long it takes to recover data) and recovery point objectives (at what point in time can data be recovered from) so that appropriate solutions are put in place;
- a system for regular backups of all organizational data including emails, documents, databases, and media;
- a copy of all backups to be stored off-site for disaster recovery purposes;
- use of redundant or cloud-hosted systems to mitigate the risk of power or internet failures, or a building disaster; and
- routine testing of backups and mock disaster recovery.

9. **Remote Access to Information**

A nonprofit should implement specific information system security policies if employees or volunteers have remote access to secure or confidential information. A nonprofit should ensure that secure or confidential information is not taken from the organization in any manner unless expressly authorized.

10. Cloud Services

A nonprofit should have a cloud services use policy if it is storing some or all of its data in the cloud. This should include statements regarding:

- any restrictions on data or services that should not be put into the cloud;
- use of personal cloud services (e.g., DropBox, iCloud, Google Drive/Docs, etc.) for storing or transferring organizational information;
- use of "business-class" services or versions of services;
- evaluation of cloud service providers including data ownership, backups, and data retention, and getting data out of the system;
- security requirements of cloud services: including encryption requirements of data in transit and at rest, access controls, and authentication requirements.

11. Document Destruction and Retention Policy

A nonprofit should have a mandatory written policy or schedule on document retention and destruction with guidelines for handling all types of documents, including electronic files and voicemails. The policy should also include procedures for backing up or archiving documents, and regularly checking the reliability of the document handling procedures. A nonprofit organization must retain documents involved in litigation or a government investigation (18 USC § 1519 –a.k.a. Sarbanes-Oxley; 990).

INFORMATION TECHNOLOGY PRINCIPLES

TECHNOLOGY PLANNING

12. Technology Plan

A nonprofit should have a written technology plan that is integrated into its short-term and long-term strategic and operational plans. The plan should include periodic assessments of technology and provide information regarding expected technology acquisitions, upgrades, and maintenance costs. Staff and board members should be familiar with this plan.

13. Investment in Technology

A nonprofit should invest in technology tools that help it to become more efficient and more effective at accomplishing its core mission.

Resources should also be dedicated to ongoing maintenance and eventual replacement of equipment. Nonprofit organizations should strive to maximize current resources.

14. Technology Support

A nonprofit should budget for and acquire technical support and expertise at a level commensurate with the complexity of its systems and technology operations. This ensures systems are implemented well, properly maintained, work as intended at all times, and secure information. In acquiring technical support, a nonprofit's considerations for technical support should include:

- responsiveness and response time on support issues;
- alignment with organizational needs and values;
- approaching cybersecurity and IT planning proactively; and
- cost effectiveness of hiring staff versus an outsourced provider.

In addition to reliable day-to-day support, an organization should look for effective deliverables measured in four core areas:

- **Alignment effectiveness:** Ensuring your IT infrastructure and processes can support your mission.
- **Performance effectiveness:** Fine-tuning your network to ensure it is working at maximum efficiency and availability to provide the maximum return on your technology investment.
- **Risk effectiveness:** Ensuring that your IT infrastructure and data are protected from nefarious activity from outside and inside of your firm.
- **Cost effectiveness:** Ensuring that the services you receive provide significant overall value at a competitive cost relative to internal sourcing and comparable outside sources.

15. Selection and Adoption of new Technology

A nonprofit should have processes for deciding how to select and adopt new technology. This should include:

- ongoing identification of technology that may enhance the organization's operations and mission;
- identification of technology expertise that can be leveraged.

When considering if, when, and how to adopt new technology, a nonprofit should consider the following questions:

- How does the new technology fit into our existing IT ecosystem? Is there existing technology in our ecosystem that could meet this need, and if so, do we need to adopt a new technology?
- What other IT or organizational changes are currently happening? Will those changes impact our ability to successfully implement a new technology?
- How do people in different departments and at different levels feel about the new technology and how it should be implemented?

STRATEGIC PLANNING PRINCIPLES

A strategic planning process can focus on addressing a few well-chosen questions, or it can lead to a guiding action plan for the next three years; at the heart of these approaches are critical conversations about who we are as an organization, where we hope to take the organization, and how we want to get there. These conversations involve a commitment to the planning process, open dialogue, and creative thinking. It may be standard practice, but successful approaches to strategic planning processes allow an organization to focus on new initiatives, grow with intent, and adapt to new opportunities.

While process steps may vary, the typical six elements of strategic planning are as follows:

- Identification of the purpose and boundaries of the strategic planning process
- Assessment of the organization's current mission and values and its impact on the external and internal environment
- Recognition of gaps and issues based on a strategic assessment.
- Development and alignment of the strategic plan to the organization's mission, values, and goals
- Implementation of the strategic plan
- Evaluation of the strategic work by monitoring goals and outcomes

To keep nonprofit planning proactive rather than reactive, the strategic planning process helps the organization identify internal shifts in programming and external needs, such as changing neighborhood demographics or new funding sources. A strategic plan offers the organization more than project management; it creates a living document that helps guide the organization's reaction to new input over a designated time period. The organization will have a set of goals and an intentional, visible, and achievable process.

Key Resources:

[Training: Practical Tools for Successful Strategic Planning]

[Training: Putting the "Fun" Into Strategic Planning]

Critical considerations before you start planning

1. Creating Alignment

Strategic planning is done to create alignment between multiple parties—alignment on the strategic direction for the organization and its vision for the future. This alignment is necessary among the governing board, leadership staff, supporters, and key constituents. To create alignment, nonprofits should engage multiple parties in the planning process. Alignment around a common purpose provides the strong foundation required to accomplish the strategic plan.

2. Becoming Proactive and Intentional

Effective strategic planning enables the organization to move from reactive to proactive. Organizations create their future by planning for it, rather than reacting to the world around them. A nonprofit's strategic plan becomes its statement of intent, infuses intentionality in all endeavors, and allows the nonprofit to say 'no' to distractions. A well- designed plan empowers leadership to see what is possible and establishes a realistic plan to achieve it.

3. Considering the Horizon

The strategic planning process provides a unique venue for leadership to cast its eye over the horizon. A long-term perspective is essential to producing substantial results. While many organizations plan three to five years into the future, an even longer time horizon may be helpful. A nonprofit should plan three to five years into the future and review its strategic plan annually to ensure the long-term perspective is considered.

4. Generating Enthusiasm

An effective planning process generates enthusiasm about the nonprofit's future by engaging a wide variety of constituents in a way that creates excitement. As a nonprofit engages in planning, the process should build momentum and create a sense of urgency. Planning can involve simulations, games, and fact-finding scavenger hunts. The point is to keep members engaged in discussing the mission, current practice, and hoped-for futures. If that happens, the resulting plan is a rallying cry for the organization and energizes leadership to accomplish bold endeavors.

5. Establishing Strategic Direction

A strategic plan serves as a roadmap, guiding the organization to its future vision and highlighting what needs to be accomplished and when. This is done by working through a series of strategic choices which serve as forks in the road of the future. Once completed, the strategic plan should be a document referred to often, like a map, as decisions are made. The plan can help filter new ideas, enabling leadership to select opportunities to take the mission to its destination intentionally.

6. Strategic Planning Process Needs Resources

The planning process needs resources. Account for the time organizational members will devote to the process. Budget for the tools that enrich the discussion process such as a retreat space, site visits, or media exploration of mission needs. Interactive tools to help articulate thoughts are also needed. These tools may be visualizations of the organization's current processes, Legos to help members connect with concepts, or a moderator to help run focus groups. Whether small or large, when developing the planning process, space is needed to generate energy and vitality to the planning process. Consider what you need to do to make space to plan.

7. Creating a Prospectus for Investment

A strategic plan should also serve as a prospectus for investment and the best resource development tool by:

- identifying an opportunity for impact in the community;
- articulating the resources required to meet the need;
- inviting investment in the form of donations; and
- describing the social return to potential contributors.

TIPS FOR DEVELOPING A STRATEGIC PLANNING PROCESS

1. Choosing an Approach to Strategic Planning

Tailor Your Strategic Planning --- To plan or refresh?

There are many variations to the strategic planning process, depending on the time and resources available. Strategic planning can be done with internal resources or facilitated by an external consultant. Some organizations create a strategic plan in a one-day retreat, while other organizations take a year to develop their plan. Regardless of the approach, the resulting strategic plan must provide clear direction for the organization as defined by a series of measurable goals.

Getting Agreement to Move

A successful strategic plan results from a successful process. Gathering agreement to engage in the process is key. Whether facilitated by a consultant or organizational member, agreement at all function levels to engage with the process is important. Without engagement, the legitimacy and, indeed, the goals of the strategic process might be ignored or dismissed. Buy-in to start the process needs time and encouragement. Conversations about the purpose of the plan, timelines, the level of input needed from all members of the process, and identification of the roles they will play as information is gathered, sorted, reviewed, and discussed are needed. A realistic overview of the planning process activities will build trust, set up a precedence of open communication, and lead all organizational members to take ownership of the plan.

2. Review of Mission, Vision, and Values

Originally defined by its founders, the board should periodically review a nonprofit's mission, vision, and values to consider societal and community changes.

This review should determine whether these statements are still relevant and/or whether they should be adapted to address evolving needs of its constituents and the public.

MISSION, VISION, AND VALUES STATEMENT

1. Mission Statement

A clearly defined, written mission statement accurately describes the organization's core purpose.

2. Vision Statement

A vision statement is a clear, motivating message about a desired future state that projects a world enhanced by the accomplishment of the mission. It could also be an internal statement on the organization's vision for itself and its future. For the purposes of planning, the internal statement may be the most important.

3. Values Statement

A values statement (or statements) is an optional statement reflecting the core beliefs or principles driving the organization's work. It should describe how the nonprofit, and all employees and volunteers, will conduct its work by highlighting the most important attributes.

4. Community Input and Environmental Assessment

A nonprofit should have a thorough and up-to-date understanding of the community in which it operates, including the needs of its constituents, changing demographics, changes in the funding and political/ regulatory environments, services provided by government, services provided by similar organizations, emerging technology, and applicable trends.

Common assessment methods include:

SWOT: This is a discussion and analysis technique exercise that asks organizational members to first focus on the internal workings of the organization by identifying the strengths the organization currently has to its mission and the weaknesses associated with operations and programming. Then members discuss the external changes to the organization, including opportunities for growth and possible threats to operations. The resulting four-part map can help identify gaps in identity, service provision, and ways to adapt to the changes in the field.

STEEPLE: A more in-depth analysis tool that focuses the conversation on the organization's ability to react to external changes. The tool helps identify opportunities and challenges created from the following lens: social, technological, economic, environmental, political, legal, and ethical.

Organizational Assessment

While many questions are under assessment, this part of the process aims to identify potential barriers, challenges, or resistance to the strategic planning process before starting the project. Readiness questions include: does the organization have the current or potential capacity to pursue the desired strategies? If not, how might the organization consider strategies that allow for the necessary change to meet future goals and the nonprofit's guiding vision?

5. Enriching Voice ---Multiple voices, Multiple Contributors

Inviting many voices to the planning process can build a resilient, well-informed strategic plan. However, we must plan how and when people are invited to provide that insight to obtain that richness. Community partners provide enriching information about potential opportunities for the organization and gaps in how community needs are met. The signals they bring to the planning process differ from our daily mission operators, such as staff and volunteers, who can inform the process of program changes and resource allocation needs. Including multiple voices at different levels of the strategic planning process is also an opportunity to infuse, protect, and diversify the voices and backgrounds reviewing the plan. Mapping contribution roles and backgrounds to the process steps will enrich discussion and strengthen the plan's integrity to multiple audiences.

6. DEAI Considerations

DEAI statements are popular and even in some grant situations required, however they are more than just a statement. DEAI work is an outgrowth of the organization's identity. Moving from a set of words to a set of practices is not easy for any organization. Just as we devote specific resources to the financial audit, discussion space to the strategic planning process, and staff resources to build the program evaluation, resources are needed to both audit, discuss, and plan for a useful address of DEAI. A few ways to incorporate DEAI in the organization's mission and vision work:

- Systematic DEAI organizational audit
- Identification of a board DEAI process champion
- Sponsor an exploration of DEAI through guided conversations, book club, or other means to begin nurturing a safe, courageous space to explore organizational practices and outcomes with DEAI lens.
- Providing training and understanding of the role played by any individual's identity (the multiple variables of a person's self) in decision-making, work oppression or privilege, and other aspects of behavior. Consider who is bearing the burden of DEAI work within the organization.

Training: Equity Centered Strategic Planning

Gathering Community Insight

To promote overall success within the sector, a nonprofit should look to other nonprofits and aligned sectors to share and gather information on lessons learned, best practices, effective resource allocation, and prevention of unnecessary duplication of services. Community perspective and input can be gathered by sending out plan surveys, holding focus groups, establishing task forces, and personal interviews.

IMPLEMENTATION:
How to ground the strategy in action?

Fostering Strategic Discussion

Once issues are identified, action steps should be chosen to address those issues. During this step, members may disengage from looking outward for inspiration, but even in this stage of the process, an organization can use the experience of others as they formulate their strategies. We can explore program models, assess risk and reward for bold moves, and gather information about changes in resource allocation in response to new moves. A consistent set of questions or criteria is needed to help members compare the values of each strategic choice. Mission, values, and goals alignment are great filtering criteria. Other considerations include acceptability, program impact, technical feasibility, budget, staffing, timing, risk, and immediate and long-term impacts. Many other criteria exist, and applying a consistent set of questions about the strategy's objective and goal will help focus and narrow strategic choices to a manageable set of action plans rooted in the organization's work.

Strategic Plan Document

The strategic plan document should be aspirational and:

- reflect the results of an environmental assessment that includes information on strengths and challenges facing the organization, as well as opportunities for, and perceived threats to, mission achievement;
- include clearly defined, reasonably achievable, measurable goals and objectives that are set by the organization to achieve its current organizational priorities;
- provide an overarching direction for the organization created and fulfilled by staff and board members that is reflective of the organization's stated mission;
- be flexible to adapt to unforeseen changes and take advantage of unanticipated opportunities; and
- identify any additional sub-plans to address areas of particular concern.

Implementation of the strategic plan

The key to this step is identifying measurable tasks, timelines, collaborative partners, task leaders, and reporting. Dashboards that allow members to see their own progress and those of their peers work well to keep members energized around the goals. Joint spreadsheets or scheduled check-in dates will improve the implementation of the plan.

Develop an Operational Plan

Champions are important; the strategic planning and implementation process also needs one. This person is responsible for helping to shepherd the processes by providing the necessary check-ins and oversight to help the plan move forward. In addition, the planning document needs a structure that identifies the issue being addressed, the action being taken, the task descriptions, the name of the leader for the task, names of collaborators on the task, resources needed, date of completion, the indicator of success, and the communication procedure. This can be a spreadsheet or outline, but the assignment of tasks, communication of timeline, and benchmark need to be accessible for the team to access, monitor, and review. The evaluation activities for the strategic plan should align with the program evaluation activities for the organization.

STRATEGIC PLANNING PRINCIPLES

The key sections of the operational plan should:

- clearly define specific program, financial, personnel, and evaluation activities;
- delineate timelines;
- assign specific responsibility for implementation;
- clearly identify goals and performance measurements;
- be tied to an annual approved budget; provide a framework for regular progress reports; and
- be reviewed and updated regularly by staff and board members.

Operational plans that connect the strategic action to larger service goals and priorities have additional success in helping the organization members see how their daily work contributes to the organization's strategic goals.

Monitoring the Strategic Plan

Creating a plan that serves the organization requires a monitoring and communication strategy. The strategic action should be embedded in the evaluation processes of the organization. The key question is how the plan's key performance metrics get incorporated within the organization's assessment plans so that it is not buried but visible. A successful plan contains evaluation tasks that feed information into ongoing reviews, board, and annual reports.

Resources:

Further Reading:

John M. Bryson's Strategic Planning for Public and Nonprofit Organizations

John M. Bryson and Farnum K Alston's Creating your strategic plan: A workbook for public and nonprofit organizations

Carter McNamara's Field guide to nonprofit strategic planning

Robert Livingston's The Conversation: How Seeking and Speaking the Truth About Racism can Radically Transform Individuals and Organizations

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