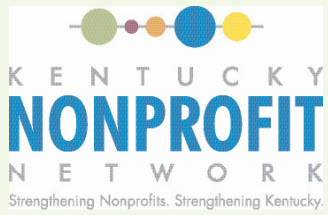


# PRINCIPLES & PRACTICES

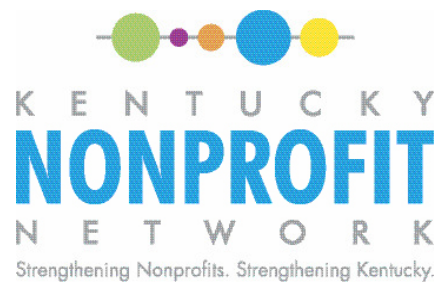
For Nonprofit Excellence in Kentucky



Organizational Planning & Implementation Workbook

# PRINCIPLES & PRACTICES

For Nonprofit Excellence in Kentucky



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# INTRODUCTION

Welcome to the Organizational Planning & Implementation Workbook, a resource of the Principles & Practices for Nonprofit Excellence in Kentucky program. This Workbook is designed as a companion tool to the Principles & Practices for Nonprofit Excellence in Kentucky guide and exists to help nonprofit organizations with assessing, planning and implementing best practices. All of the tools of this program exist to support and strengthen organizational development by helping nonprofits become more effective, more efficient and more accountable.

# ABOUT THIS RESOURCE

The Organizational Planning & Implementation Workbook outlines the documentation, systems and practices that nonprofit organizations should have in place to operate in an effective, sustainable and accountable manner. All tools in the Principles & Practices program were developed for organizations recognized as tax-exempt public charities under section 501 (c)(3) of the Internal Revenue Code, though the information and concepts apply broadly to and may be helpful for all types of nonprofits. Other kinds of organizations, including 501 (c)(4) nonprofits and 501 (c)(3) private foundations are subject to somewhat different legal requirements and should be familiar with all applicable laws and regulations that may differ from the Principles & Practices.

# USING THE ORGANIZATION PLANNING & IMPLEMENTATION WORKBOOK

The lists included in this Workbook are not intended to be all-inclusive. Your organization may be subject to additional rules, regulations and best practices due to your mission, subsector and accreditation or similar external requirements. These lists are a starting point.

For documents, take time to examine your files and note where specific items are located. If necessary items are missing, find or implement a plan to create and/or secure the necessary documentation. Items listed as "REQUIRED" are state and/or federal requirements, which means that failure to comply may mean that a nonprofit's 501 (c)(3) status may be revoked. Also, in a time of increased accountability and public scrutiny, it is important to be able to answer questions quickly and accurately regarding your operations.

This Workbook is a compilation of many documents and resources. It will continue to evolve as new resources are available or as laws change and new "best practices" evolve. Please share your feedback with us at [emailus@kynonprofits.org](mailto:emailus@kynonprofits.org) on additions, changes and other ideas to make this tool as helpful as possible.

# RELATED TOOLS & RESOURCES

Good organizational practices are primarily implemented through education and self-regulation. The Principles & Practices program exists as an educational resource to help charitable 501 (c)(3) organizations promote good governance, transparency and accountability. Related tools to help nonprofits implement best practices include:

- [Principles & Practices for Nonprofit Excellence in Kentucky Guide](#)
- [Web Resources](#)
- [Training/Education](#)
- [Consulting Services](#)

# USING THE PRINCIPLES & PRACTICES TOOLS

Each nonprofit organization is encouraged to develop a thoughtful and strategic process for using the Principles & Practices for Nonprofit Excellence in Kentucky.

The following is a suggested framework for maximizing these resources:

**Step One:** Review the Principles & Practices for Nonprofit Excellence in Kentucky guide with key board and staff. Make an organizational commitment to adopt and implement principles and practices that are appropriate for your organization.

**Step Two:** Assign an ad hoc committee of board and key staff members to work on this program or assign specific areas to existing board committees.

**Step Three:** Have the ad hoc committee(s) review and complete the Organizational Planning & Implementation Workbook to 1) make sure your organization has the essential, legal requirements in order and 2) identify strengths and areas needing improvement and more work. A process that might work well is to look at one guiding principle at a time and establish priorities, persons responsible for the appropriate next steps and a timeline for completing needed action items. You may use this tool to make sure your records, filings and policies are up to date and in order and develop your action plan, noting existing resources you have at hand and those that may require outside assistance. It may also be helpful to explore your organization's stage of development in the nonprofit lifecycle and become familiar with the strengths and challenges you face in the areas of management, governance and programming.

**Step Four:** Utilize the additional resources of the Principles & Practices for Nonprofit Excellence in Kentucky program to develop your implementation plan and strengthen your organization's policies and procedures. These resources include links to other resources and samples, training and educational opportunities and customized consulting services. Include persons responsible and timeframes in your implementation plan.

**Step Five:** Keep in mind that this program is focused on achieving excellence. The principles and practices described here do not represent minimum standards, instead they are aspirational goals. Remember that achieving excellence is a process. It's impossible to accomplish everything at one time. Prioritize practices most important for your nonprofit and develop a realistic timeline for implementation. And remember -- one size doesn't fit all! Some of the practices described here may not be appropriate for your organization. But your organization's journey towards excellence is something that all of your nonprofits' stakeholders: volunteers, board members, staff, and funders – can participate in.

**Step Six:** Implement changes and improvements. Establish a plan for ongoing evaluation and reflection to make sure your organization continues to move forward and learns from the self-evaluation process.

**Step Seven:** Regularly update the implementation plan and keep the full board of directors and staff members informed on the work that has been accomplished and what still remains to be completed/implemented, etc. Also remember to communicate successes to the organization's stakeholders: such as volunteers, funders, and those served, so that they can help in the organization's journey towards excellence!



## Acknowledgements

Development of the Principles & Practices for Nonprofit Excellence in Kentucky has been made possible with the generous guidance from other State Associations of nonprofits and support from Fifth Third Bank and a grant from the American Recovery and Reinvestment Act of 2009. Special thanks to fellow members of the National Council of Nonprofits, especially the Colorado Nonprofit Association, Michigan Nonprofit Association, the Minnesota Council of Nonprofits, Montana Nonprofit Association and North Carolina Center for Nonprofits for allowing their documents to serve as a model for this program.

# GOVERNANCE

**REQUIRED:**

Articles of Incorporation and Amendments

Current Bylaws (include board liability and indemnification language)

IRS 501 (c)(3) Tax-Exempt Determination Letter

Board Resolutions/Minutes Book

Annual Registration with Kentucky Secretary of State

**RECOMMENDED:**

Conflict of Interest Policy and Annual Disclosure Statement

Position Descriptions for Board Members, Officers and Committee Chairs

Plan for Board Member Term Limits, Recruitment and Selection

Board Member Expense Reimbursement Policy

Board Meeting/Activity Calendar

Board Member Orientation Plan

Board Member Ongoing Training/Education Plan

Board Giving Policy

Board Member Donation/Pledge Form

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# GOVERNANCE cont.

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Board Committee Descriptions and Annual Action Plans					
Board Self-Assessment Plan					
Chief Executive Hiring & Evaluation Plan					
Chief Executive Compensation Determination Process and Documentation					
Leadership Succession Plan					
Liability Insurances (Director and Officer, General, Volunteer, etc.)					
Board Member Handbook					
Board Meeting Attendance Policy					
Board Code of Ethics/Conduct Policy					
Whistleblower Protection Policy					
Document Retention Policy					
Board Member Agreement/Expectations					

# PLANNING

**RECOMMENDED:**

Mission Statement

Annual Review/Discussion of Mission Statement

Vision Statement

Values Statement

Organizational Strategic Plan and Systems in Place to Monitor Progress

Operational or Business Plan

Advocacy Plan

Disaster Recovery Plan

Leadership Succession Plan

Fund Development Plan (diversification of funds)

Marketing and Communications Plan

Technology Plan

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# TRANSPARENCY & ACCOUNTABILITY

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
<b>REQUIRED:</b>					
IRS 501 (c)(3) Tax-Exempt Determination Letter and Forms 990, 1023 and variants					
Annual Filing with Kentucky Secretary of State					
All Basic Organizational Information (Applicable IRS Forms, Contact Information, etc.) Readily Accessible					
<b>REQUIRED, AS APPLICABLE:</b>					
Gaming License, Liquor License, other applicable licenses					
Charitable Solicitation Registration (KY and other states, as applicable)					
Kentucky Lobbying Disclosure Documents					
Compliance with Kentucky Open Meetings and Records Laws					
<b>RECOMMENDED:</b>					
Financial Audit/Independent Financial Review					
Annual Report					
Confidentiality Policies and Procedures (all constituents, as applicable)					
Conflict of Interest Policy and Annual Disclosure (Board, Staff & Appropriate Volunteers)					
Whistleblower Protection Policy					
Nondiscrimination Policy					



# TRANSPARENCY & ACCOUNTABILITY cont.

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Document Retention and Destruction Policy					
Plan and Process to Encourage and Receive Stakeholder Input					

# FINANCIAL MANAGEMENT

## REQUIRED:

Applicable IRS Form 990

Payroll – federal, state and local quarterly withholdings/  
filings

## REQUIRED, AS APPLICABLE:

IRS Form 990-T (if Unrelated Business Income to report)

IRS Form 1099 - MISC

## RECOMMENDED:

Financial Management Software

Board Review of Annual IRS Form 990, 990-EZ or 990-N

Asset and Cash Management Policies and Procedures

Financial Audit/Independent Financial Review

Audit Committee and Policies and Procedures

Procurement/Contract Management Policies and  
Procedures (bidding system, contracts, evaluation and  
monitoring tools)

Annual Operating Budget (revenue/expenses)

Financial Reports Comparing Actual to Budget, Noting  
Variances

Cash Flow Projection

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# FINANCIAL MANAGEMENT cont.

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Operating Reserves					
Internal Control Policies and Procedures					
Investment and Investment Spending Policy Statements					
Whistleblower Protection Policy					
Financial Records Retention and Destruction Policy					
Accounts Payable and Receivable Policies					
Employee Expense Reimbursement Policy and Procedures					
Credit Card and Spending Procedures and Policies					
Documentation of Accounting Policies and Systems (meet Financial Accounting Standards Board - FASB and/or Government Accounting Standards Board - GASB requirements)					
Nonprofit Postage Permit					
Chart of Organizational Accounts					
Petty Cash Policy					
Signature Authority					
Spending Limits Policy					

# FINANCIAL MANAGEMENT cont.

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Year-End Financial Statement with Balance Sheet					
Gift Acceptance Policy					
Directors and Officers Liability Insurance					
Ongoing Training for Board Members on Fiduciary Duties					

# FUNDRAISING

## REQUIRED:

Charitable Solicitation Registration (KY and other states, as applicable)

Prompt Acknowledgement to All Donors, Including Compliance with Federal Gift Substantiation Requirements

## REQUIRED AS APPLICABLE:

Gaming License, Liquor License, other applicable licenses

## RECOMMENDED:

Written Case for Support

Fund Development Plan

Familiarity and Compliance with Alliance for Fundraising

Professionals Code of Ethics and Donor Bill of Rights (AFP)

Written Contracts with any Contracted Professional Fundraisers/Consultants

Development Budget and System Tracking Income and Expenditures of Campaigns

Database to Adequately Track and Record Donor Contributions and Prospects

Donor Stewardship and Recognition Plan (include provisions for privacy)

Gift Acceptance and Recognition Policy

Do Not Call, Do Not Fax, Do Not E-mail Policy

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# FUNDRAISING cont.

Board Giving Policy and Annual Pledge Form

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# COMMUNICATIONS

**REQUIRED:**

All Basic Organizational Information (Applicable IRS Forms, Contact Information, etc.) Readily Accessible

Prompt Acknowledgement to All Donors, Including Compliance with Federal Gift Substantiation Requirements

**RECOMMENDED:**

External Communications/Public Relations Plan

Organization's Official Spokesperson(s) Identified

Internal Communication Policies and Procedures

Media Communication Plan and Procedures

Annual Report

Written Policy and Procedure for Developing Statements and Positions on Issues

Marketing Plan

Crisis Management/Communications Plan

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# HUMAN RESOURCES

## REQUIRED:

Compliance with Kentucky and Federal Employment Laws & Policies

Unemployment Insurance Tax

Payroll – federal, state and local quarterly withholdings/ filings

Workers Compensation Insurance

Required Federal and State Postings

## RECOMMENDED:

Position Descriptions (up-to-date for all staff)

Organizational Chart

Background Checks

Formal Employee Orientation Program

Employee Evaluation/Review Process

Benefits Documentation

403b Plan Documentation

Human Resources Records Retention Policy

Employee Conflict of Interest Policy

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:



# HUMAN RESOURCES cont.

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Grievance Procedure and Whistleblower Protection Policy					
Professional Development Plan/Budget					
Succession/Transition Plans					
Salary Ranges for All Positions					
Employee Health Care Information (kept separately from personnel info)					
Standards and Policies for working with Contractual Employees and Consultants (guidelines for selection, hiring and monitoring)					
Personnel File for Each Employee					

# VOLUNTEER ENGAGEMENT

**RECOMMENDED:**

Volunteer Engagement Plan (purpose statement, organizational assessment, budget, roles/responsibilities)

Volunteer Position Descriptions

Screening/Background Checks Policy & Processes

Orientation and Ongoing Training Plan

Performance Review, Accountability and Disciplinary Policies and Procedures

Recognition Plan

Grievance Policy and Procedure

Volunteer Policy and Procedures Manual

Liability Insurance

Conflict of Interest Policy & Disclosure, as applicable

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# INFORMATION TECHNOLOGY

**RECOMMENDED:**

	Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:
Document Retention and Destruction Policy					
Written Technology Plan					
Use Policies and Procedures (internet, email, etc.)					
Security Policies and Procedures					
Data Collection System (to support continuous improvement and evaluation)					
Off-Site System Back-Up					
Business Continuity/Disaster Recovery Plan					
Surge Protectors, Virus Scans, Firewalls, Passwords and SPAM Blocker for All Computers					
Secure Server					
Technology Budget (including maintenance and upgrades)					
Technology Training Plan (staff and volunteers)					
Information and Data Sharing Procedures					
Social Media/Networking Policies					

# INFORMATION TECHNOLOGY cont.

**RECOMMENDED:**

Software License Compliance

Theft Protection Policy and Procedures for Security Breaches

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# STRATEGIC ALLIANCES

**RECOMMENDED:**

Memorandum of Agreement/Understanding or Other Documentation for All Collaborative Commitments

Regular Assessment/Scan of Community Services Provided by Similar Organizations

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# PUBLIC POLICY AND ADVOCACY

**REQUIRED, IF APPLICABLE:**

Kentucky Registration with Legislative and Executive Branch Ethics Commission

Federal Lobbyist Registration

IRS and KY Lobbyist Activity Reports

IRS Form 5768 to Make 501 (h) Election

**RECOMMENDED:**

Advocacy Plan

Procedures for Tracking Lobbying Expenses for Reporting Purposes

Ongoing Education and Information Gathering of Current Policy Climate

Participation in Local, State and National Advocacy and Capacity Efforts, Including Membership in Appropriate Associations (e.g. Kentucky Nonprofit Network)

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# RISK MANAGEMENT

**RECOMMENDED:**

Organizational Risk Assessment

Risk Management Plan

General Liability and Directors and Officers Liability Insurance

Business Continuity Plan

Background Check Policy & Processes

Ongoing Training for Staff and Volunteers

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:

# EVALUATION OF RESULTS

**RECOMMENDED:**

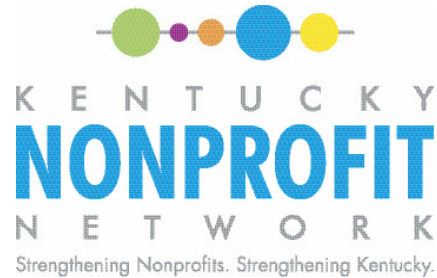
Evaluation, Data Collection and Monitoring Plans and Systems

Environmental Scan and/or Community Needs/Assets Assessment

Process/Plan for Sharing Results

Current Status:	Notes/Comments:	Target Completion Date:	Person(s) Responsible:	Date Completed:





## ABOUT THE KENTUCKY NONPROFIT NETWORK

The Kentucky Nonprofit Network is an association of nonprofits serving as a statewide resource for board members, staff and other leaders; an information center on effective nonprofit organizational practices; and an advocate for the nonprofit sector as a whole. The Network was founded in February 2002 and is an outreach program of the Department of Community and Leadership Development at the University of Kentucky College of Agriculture.

The Kentucky Nonprofit Network exists to serve, strengthen and support the Commonwealth's nonprofit organizations through education, networking opportunities, consulting services and information sharing. Through quality programs and services that encourage nonprofit collaboration, effectiveness, accountability and innovation, the Network partners with nonprofits across Kentucky to strengthen communities.

Learn more about the Kentucky Nonprofit Network, including membership, by mail at PO BOX 24362, Lexington, KY 40524; by phone at (859) 963-3203; by email at [emailus@kynonprofits.org](mailto:emailus@kynonprofits.org) or on the web at [www.kynonprofits.org](http://www.kynonprofits.org).

## KENTUCKY NONPROFIT NETWORK ADVISORY COUNCIL

### SUSAN BARRY

CEO, Community Foundation of Louisville

### WILLIAM FARMER

CEO, United Way of the Bluegrass, Lexington

### JOSEPH FINK, III

Professor, University of Kentucky College of Pharmacy,  
Lexington

### GARY HANSEN

Chair, Department of Community & Leadership  
Development, University of Kentucky College of  
Agriculture, Lexington

### STEVE ISAACS

Professor, University of Kentucky College of Agriculture,  
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### KAREN KELLY

CEO, Operation UNITE, Somerset

### KIM MENKE

Manager of Community Relations,  
Toyota Motor Manufacturing Kentucky, Georgetown

### GREG MULLINS

Vice President & Relationship Manager,  
PNC Bank, Lexington

### MIKE MULLINS

Executive Director, Hindman Settlement School, Hindman

### FOSTER OCKERMAN, JR.

General Counsel, Resources in Healthcare Management,  
Lexington

### KATHY PLOMIN

Community Volunteer, Lexington

### AL RIDER

CEO, North Central Education Foundation, Elizabethtown

### JOHN SHASKY

Vice President, Public Funds, Fifth Third Bank, Lexington

### WENDELL STRODE

Executive Director, National Corvette Museum, Bowling  
Green

### FRAN TAYLOR

Executive Director, Keeneland Foundation, Lexington

### NEAL VAUGHAN

Community Volunteer, Lexington

## KENTUCKY NONPROFIT NETWORK STAFF

### DANIELLE CLORE

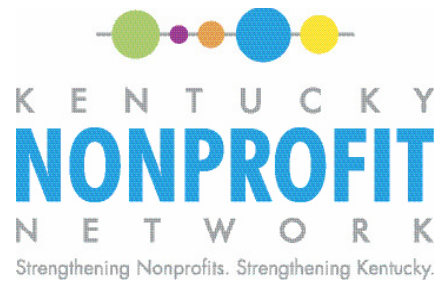
Director

### SHELLEY SELLWOOD-DAVIS

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### LYNDA MAE WILSON

Membership & Events Coordinator



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