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Introduction

*Principles & Practices for Nonprofit Excellence* is based on the fundamental values of quality, responsibility, and accountability. This document has three purposes:

- To provide individual organizations striving for excellence -- and the board and staff members who lead them -- with a tool for strengthening their governance, management, and operations;
- To support the growth and quality of the nonprofit sector; and
- To promote stewardship by individual nonprofits and the sector as a whole.

Nonprofit organizations are essential to the vitality of communities. They enrich quality of life, epitomize the highest societal values, and strengthen our democracy. Volunteers, board members, and employees become involved with a nonprofit because of the organization's public benefit mission. Therefore, the continued success of North Carolina's nonprofit organizations requires broad public support and confidence. This document publicly testifies to the nonprofit sector's commitment for excellence.

North Carolinians join together throughout the state to form associations and organizations of every type. While *Principles & Practices* are of particular interest to 501(c)(3) organizations, the
information and concepts apply broadly to all types of nonprofit organizations. The diversity of the nonprofit sector by size and field and the significant variations in local conditions mean that each organization should determine whether or not specific practices are appropriate for its current situation. *Principles & Practices* is designed to support the effective functioning of North Carolina’s nonprofit sector by recommending specific best practices. In adapting and implementing them, each organization will face many specific choices about how to accomplish its mission and structure its work — and only that organization and its leadership can determine what is best at that moment in time.

The Center’s intent is to promote effective and accountable practices that nonprofits themselves implement through positive, not punitive, measures. *This is a voluntary program. Principles & Practices* is not intended for use by funders or by government to evaluate organizations, nor are they intended as a substitute for the wisdom of boards of directors, trustees, volunteers, and staff of individual organizations. The Center is committed to using the *Principles & Practices* for itself and encourages other nonprofits — including operating nonprofits and foundations — to use them in their own organization. Please be sure that your own nonprofit organization or foundation strives to achieve these benchmarks, as appropriate, before you suggest that other organizations achieve them.

Some organizations might choose to have their boards of directors adopt a board resolution stating their commitment to the overall principles that could be used in your organizational literature. Included below is sample language you can adapt:

The Board of Directors and staff of XYZ Nonprofit are committed to the eleven guiding principles included in the N.C. Center for Nonprofits’ *Principles & Practices for Nonprofit Excellence: A Self-Help Tool for Organizational Effectiveness*. These principles provide specific benchmarks of best practices around planning, governance,
human resources, financial management, fundraising, information
and technology, evaluation of results, strategic alliances, civic
engagement and public policy, transparency and accountability, and
risk management.

More information is available on the Center’s Frequently
Asked Questions section of the website at www.ncnonprofits.org/
mbronly/faqMO.asp.

The Center welcomes your feedback. Please let us know how
you applied the Principles & Practices in your organization (contact
Trisha Lester at tlester@ncnonprofits.org or Sally Migliore at
smigliore@ncnonprofits.org).

Principles & Practices
Overview of Guiding Principles for Nonprofit Excellence

Note to Readers: Please be aware that certain words have particular meanings in this document:
- "Must" describes practices required by state or federal law and are noted with the symbol #.
- "Should" describes highly recommended practices.
- "Constituents" and "stakeholders" describe people with a stake in the organization's success and may include clients, members, board members, volunteers, staff, donors, and collaborators.

Planning
Organizational planning sets the overall direction and strategies a nonprofit uses to fulfill its mission. Nonprofits have a duty to engage in sound planning, define a clear vision for the future, and specify goals and strategies to implement their plan. Planning should generally incorporate input from stakeholders and should be intentional and ongoing to position the organization to achieve its goals.

Governance
The board of directors is responsible for defining the mission and providing overall and strategic direction. It sets policies and ensures that the organization has adequate resources to carry out the mission. The board provides direction for the chief staff executive and evaluates his or her performance. It also is re-
sponsible to assess its own effectiveness in upholding the public interests served by the organization.

**Human Resources**

Effective management of human resources is essential for successful organizational results. Nonprofits should exercise fair and equitable practices that can attract and retain qualified individuals as employees and volunteers. Nonprofits must adhere to all applicable employment laws and provide a safe work environment. They should establish specific policies and practices that promote mutual cooperation to advance the organization’s interests and that reflect appropriate industry standards for compensation and benefits.

**Financial Management**

Nonprofits have an obligation to act as responsible stewards in managing their financial resources. They must comply with all legal requirements. They should adhere to sound accounting principles that ensure fiscal responsibility and build public trust. They should use their funds to accomplish the mission in an effective, efficient manner and establish clear policies and practices to regularly monitor how funds are used.

**Fundraising**

Nonprofits play an important societal role as the primary vehicle through which philanthropy occurs. As the intermediary between donors and beneficiaries, they have an ethical obligation to ensure proper handling and stewardship of funds to carry out their missions. The solicitation, acceptance, recording, reporting, and use of funds should be conducted according to the highest ethical standards. Nonprofits should adopt and enforce clear policies for fundraising activities to ensure the responsible use of funds for the purposes designated, as well as open

*Principles & Practices*
communication with donors and other constituents.

**Information and Technology**
Nonprofits should manage information with attention to confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness, and legal compliance. They should use appropriate technology to improve their efficiency, efficacy, and accuracy in achieving the mission.

**Evaluation of Results**
Nonprofits have an obligation to demonstrate their value to the public good. They should regularly measure their performance against desired impact in a way that is appropriate to the group’s size and activities, share this information openly, and use it to improve or change programs.

**Strategic Alliances**
Nonprofits’ success often depends on strong relationships with other institutions. Strategic alliances range from collaboration, coalitions, and formal partnerships to simply cooperating and coordinating programs.

**Civic Engagement and Public Policy**
Nonprofits play a central role in the democratic process by providing a means for individuals to deliberate on policies and decisions that affect them. Nonprofits should participate in the public dialogue on their own causes. They should advocate and influence public policy as needed to promote the interests of their constituents, organization, and the nonprofit sector.

**Transparency and Accountability**
As entities created for the public benefit, nonprofits have an
ethical obligation to conduct their activities in a way that is accountable and transparent to their stakeholders and the public. They should actively and openly convey information about their missions, activities, results, and decision-making processes. This transparency creates visibility, public understanding, and trust in the organization.

**Risk Management**

Risk is any uncertainty about a future event that threatens the organization's ability to accomplish its mission. A risk management program provides a framework for balancing and understanding risks and for empowering staff and board to make good choices in dealing with them. A nonprofit should identify and deal with risk as it applies to an organization's core assets: its people, property, income, and goodwill.
Planning

Organizational planning sets the overall direction, activities, and strategies a nonprofit uses to fulfill its mission. Nonprofits have a duty to engage in sound planning, define a clear vision for the future, and specify goals, objectives, and strategies to implement their plan. Planning should generally incorporate input from stakeholders and should be intentional and ongoing to successfully position the organization to achieve its goals.

- A nonprofit must have a written mission statement which is specific enough to effectively guide the overall aims and activities of the organization.

- The mission statement should be linked to the values of the organization and its vision for the future.

- As part of ongoing planning and with input provided by the organization’s stakeholders, the mission statement should be evaluated periodically by the board against the organization’s current activities.

- The board of directors should establish a rigorous process of setting clearly defined goals and objectives to accomplish the organization’s mission. This plan should be reviewed regularly on a time frame that’s appropriate to the nonprofit and its field. Nonprofits should periodically conduct environmental scans that include internal and external assessments as part of strategic planning.
• In planning for their activities, nonprofits should be responsive to community needs and should solicit input from a variety of sources such as board, staff, community members, funders, and other stakeholders.

• Nonprofits should generally consult with community partners to determine the need for services and the best use of overall resources.

• A nonprofit organization should annually create a written operational or action plan which specifies implementation of its activities. The operational plan should include goals and objectives that are set by the organization and should clearly define specific program, financial, personnel, and evaluation activities; delineate timelines; and assign specific responsibilities for implementation. The operational plan should be a useful management tool for evaluating activities and results and should be tied to an approved budget.
Governance

Nonprofit boards of directors are responsible for defining the organization's mission and for providing overall leadership and strategic direction to the organization. Nonprofit boards actively set policy and ensure that the organization has adequate resources to carry out its mission. The board provides direct oversight and direction for the executive director/CEO and is responsible for evaluating his or her performance. Nonprofit boards also have a responsibility to evaluate their own effectiveness as governing bodies in upholding the public interests served by the organization.

- Nonprofit boards should be comprised of individuals who are committed to representing the best interests of the organization and its mission. All boards should strive toward representation that reflects the organization's constituents.

- Nonprofit boards should be composed of individuals who are not related by blood, marriage, or domestic partnership, except in unusual circumstances, which should be fully disclosed to and approved by the full board.

- To allow for sufficient deliberation and diversity of perspectives, nonprofit boards should consist of no fewer than 5-7 individuals. (Although North Carolina requires only one person for a board of directors, the N.C. Center for Nonprofits does not recommend this as an effective practice.)
• To ensure broad public participation and diversity, board members should have term limits and serve for no more than six consecutive years (common term lengths are three 2-year terms or two 3-year terms).

• Nonprofit board members are responsible for making decisions in the best interest of the organization. While it’s inevitable that conflicts of interest will arise, nonprofits should have a written conflict-of-interest policy that includes a disclosure form of interests that could give rise to conflicts (signed annually by board, staff, and volunteers) and procedures for managing conflicts of interest and handling situations in which public and private interests intersect.

• Nonprofit boards should have officer positions of chair, vice chair, treasurer, and secretary. No one should occupy more than one officer position at the same time (although North Carolina law allows individuals to serve simultaneously in more than one officer position).

• If a staff member serves on the board, it should be limited to the executive director/CEO. He/she should not serve as the chair, vice-chair, or treasurer, and should abstain from all board votes where there is a conflict of interest.

• Board members should develop an understanding of the mission, program and activities, finances, fundraising, and operating environment of the organization. They are responsible for upholding the organization’s mission and using its resources wisely and in accordance with the law.

• Annually, the board should review and approve a budget for the organization. While each board should determine the appropriate budget needed to achieve its mission, various industry benchmarks provide target ranges of 65-80 percent.
of expenditures for programs and 20-35 percent for administration and fundraising. Furthermore, fundraising expenses should be reviewed as an average over a period of three to five years.

- Board members are expected to volunteer time, raise funds, and make financial contributions to the nonprofit.

- Board members are responsible for keeping suitably informed so they can actively participate in decisionmaking. They should be provided with a clear job description, orientation to the work of the organization, and ongoing training, and should fully understand their roles and responsibilities to the organization and to the public.

- Boards should organize committees and task forces as needed to effectively carry out their roles and responsibilities. Boards should hold regular meetings (quarterly at a minimum) and expect regular attendance of members.

- The board of directors, led by the board chair, should evaluate itself regularly through a self-assessment of individual members and the board as a whole.

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

Effective management of human resources is essential for creating successful organizational results. Nonprofits should exercise fair and equitable practices that attract and retain qualified individuals and employees and volunteers. Nonprofits must adhere to all applicable employment laws and should provide a safe work environment. Nonprofits should establish specific policies and practices that promote mutual cooperation to advance the organization's interests and that reflect appropriate industry standards for compensation and benefits.

- Nonprofits should employ skilled individuals who are suitable for the positions they occupy (employees or volunteers) and committed to the goals, values, and objectives of the organization.

- A nonprofit should strive toward employing personnel and volunteers who reflect the diversity of the community, as appropriate for program effectiveness.

- A nonprofit and its board should establish and abide by a broad and encompassing equal opportunity employment policy.

- Nonprofits should adopt a set of specific policies and procedures for managing employees and volunteers.
• Nonprofits must comply with all federal, state, and local employment laws when hiring and employing personnel.#

• Nonprofits should conduct background checks on employees and volunteers, particularly if their positions involve working with vulnerable populations, performing financial duties, or handling other sensitive matters.

• If the nonprofit employs staff, the board should annually review its overall compensation structure, using industry-based surveys of salaries and benefits. The board should establish policies on employee benefits which may include:
  ◦ Health insurance
  ◦ Retirement plans
  ◦ Sick leave, family leave, vacation, and other paid time off; and
  ◦ Other benefits as may be appropriate.

• Nonprofits should establish a conflict-of-interest policy for employees and volunteers that includes disclosure of relationships, nepotism, interested party transactions, and confidentiality issues, as well as procedures for managing conflicts of interest. This policy should be reviewed and signed annually by all employees and volunteers.

• Nonprofits must adopt specific grievance procedures for personnel and volunteers with protections for reports of violations of organizational policy or applicable laws. A whistleblower policy is required by the Sarbanes-Oxley Act of 2002.#

• A nonprofit should provide staff and volunteers with clear, current job descriptions and the tools they need to produce quality work.
• Nonprofit staff and volunteers should receive performance evaluations on at least an annual basis.

• A nonprofit should support the education and development of personnel and should provide them with opportunities for growth and advancement.

• A nonprofit should have a system in place for the succession of employees and volunteers, especially for the executive director/CEO and key board leadership, and for transitions in leadership.

• A nonprofit must establish both employee and volunteer records retention policies and procedures that are consistent with applicable laws and best-industry practices. These policies are required by the Sarbanes-Oxley Act of 2002.
Financial Management

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

- A nonprofit should ensure that it has the appropriate financial policies, procedures, and reporting mechanisms in place and must demonstrate compliance with all legal and financial regulations.

- A nonprofit should ensure separation of financial duties to serve as a system of checks and balances to prevent theft, fraud, and inaccurate reporting. This system should be appropriate to the size of the organization's financial and human resources.

- A nonprofit should generate accurate and relevant financial reports which include the comparison of actual to budgeted revenues and expenses and which identify and explain any significant variances. These reports should be provided to the board of directors for regular review and discussion, preferably on a quarterly basis.
• A nonprofit should strive toward establishing and maintaining a financial reserve equal to three to six months of operating expenses.

• A nonprofit should plan for a balanced budget. In the event that a budget deficit occurs, the board should be aware of this expected outcome and should participate fully in determining a plan to restore the budget to a balanced state.

• A nonprofit with annual total revenues in excess of $1 million should subject its financial reports to an annual audit by an independent Certified Public Accountant. A nonprofit with annual total revenues between $250,000 and $1 million should have an independent CPA provide a financial review annually. Financial audits and reviews should be approved by the board and certified by the executive director/CEO and chief staff financial officer.

Any nonprofit that receives, uses, or spends more than $500,000 in state funding in any year must subject its financial reports to an audit by a CPA.

• The board should designate an audit committee to hire the auditor, oversee the audit process, and meet with the auditor to review the audit's content. The auditor should meet with the organization’s board separately from management staff, and the audit committee should approve the financial report.

• Nonprofits should adopt written financial policies to monitor major expenses, including payroll, travel, investments, expense accounts, contracts, consultants, and leases.

• Nonprofits should periodically assess their risks and purchase appropriate levels of insurance to prudently manage their liabilities.
• Nonprofits must, if applicable, complete the annual IRS Form 990, 990-EZ, 990-N (e-Postcard), or 990-PF in a timely manner, and the organization’s board should be provided with a copy of it before it is filed. A nonprofit executive director/CEO and chief financial staff person should verify and certify the Form 990 or 990-PF before it is submitted to ensure its accuracy. A nonprofit should openly communicate the annual reporting information contained in its IRS Form 990 to constituents and others who request such information.

• A nonprofit must have a system in place that allows individuals to report financial impropriety or misconduct without consequence for doing so (commonly referred to as a “whistleblower policy”). It must also have a document retention and destruction policy based on legal requirements for retaining or destroying organizational records. These policies are required by the Sarbanes-Oxley Act of 2002.

• A nonprofit’s board should strictly prohibit financial loans to board members, the executive director/CEO, and other personnel and volunteers.

• A nonprofit has a legal and ethical obligation to expend funds responsibly and to ensure that funds are dispensed according to the funders’ wishes and requirements.
Fundraising

Nonprofits play an important societal role in serving as the vehicle by which philanthropy occurs. Nonprofits act as the intermediaries between donors and beneficiaries and have an ethical obligation to ensure proper handling and stewardship of funds to carry out their missions. Nonprofit fundraising should be conducted according to the highest ethical standards with regard to solicitation, acceptance, recording, reporting, and use of funds. Nonprofits should adopt clear policies for fundraising activities to ensure responsible use of funds for designated purposes and open, transparent communication with donors and other constituents.

- Nonprofits must comply with all federal, state, and local laws and regulations concerning fundraising practices.#

- A nonprofit must, if applicable, secure a Charitable Solicitation License through the N.C. Office of the Secretary of State and use the required disclosure on all its solicitation materials. Nonprofits that receive at least $25,000 in contributions are generally required to register.#

- If using contracted or professional fundraisers or fundraising consultants, nonprofits must ensure such fundraisers are registered with the N.C. Secretary of the State.#
- Compensation for fundraising personnel and contractors should not be based on a percentage of funds raised or other commission-based formulas. A nonprofit should closely monitor any individual or organization that solicits funds on its behalf to ensure adherence to donor intent as well as sound, ethical fundraising practices.

- A nonprofit's board assumes overall responsibility for raising sufficient funds to meet the organization's budgeted objectives.

- Fundraising communications should include clear, accurate, and honest information about the organization, its activities, and the intended use of funds.

- A nonprofit should work toward achieving balance between publicly recognizing charitable contributions and maintaining donor confidentiality when needed. Nonprofits should not share or trade donor names with others unless given permission by the donor.

- A nonprofit should regularly communicate with donors regarding its activities and should make such information available through multiple outlets.

- A nonprofit should have policies in place that govern the receipt, disposal, and management of all gifts and grants. A nonprofit has an obligation to decline funds or in-kind donations that would bring about adverse conditions for the organization or its constituents and gifts given for purposes outside the scope of its mission.

- Nonprofits should apply a high percentage of each dollar raised to programs and services in accordance with practices of comparable organizations and industry standards. An

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organization's stage of development and where it falls in the life cycle should be factored into appropriate percentages.

- To maintain the public's trust, a nonprofit should generally seek only the funds it needs to reasonably work toward achieving its mission over the foreseeable future. When appropriate, endowment and reserve funds can be established to advance the organization's mission.

Any such endowment funds must be managed and invested prudently.##
Information and Technology

A nonprofit manages information with attention to confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness, and legal compliance. A nonprofit should utilize appropriate technology to improve its efficiency, efficacy, and accuracy in the achievement of its mission.

- A nonprofit should have information systems in place that provide timely, accurate, and relevant information.

- A nonprofit should have technology use, security, and compliance policies that address staff use and that prescribe how all organizational information is gathered and stored; how accuracy is maintained; how and what information is backed up; and to whom information is made available. Policies should also address confidential information and privacy, with appropriate procedures to limit access to data.

- A nonprofit should have a written document retention and destruction policy, which includes guidelines for electronic data and voicemail.

- A nonprofit should designate responsibility for maintaining the organization's information systems to more than one staff person, volunteer, or board member; one person should be primary and at least one should be back up.
- A nonprofit should maintain and implement business continuity and disaster recovery plans. The plans should include hardware and software inventory for insurance purposes and software licensing compliance. Off-site recovery should include back-up copies of key data and information and should allow for remote and/or alternative access in the event of an emergency.

- A nonprofit should have a plan for proactive maintenance to help identify, reduce, and/or eliminate problems before they become disruptive.

- Each organization should establish a 3-5 year information technology plan to maintain an up-to-date technology infrastructure.

- A nonprofit should invest in appropriate telecommunications equipment (such as telephones, voice mail, and fax machines), up-to-date, compatible computer hardware and software, and Internet access to enhance its ability to achieve its mission.

- In addition to those issues listed above, good technology practices include:
  
  ◊ Regular backups with off-site storage, preferably stored in multiple locations, along with accurate reporting of successful and failed backups;

  ◊ Managed anti-virus solution to perform daily automatic updates;

  ◊ Firewall (a one-time installation);

  ◊ An organized website that provides up-to-date, accurate information and is in compliance with copyright, privacy and other laws; #

  ◊ E-mail accounts for staff and staff usage that comply with CAN-SPAM regulations for broadcast emails and; #

  ◊ A secure server that networks staff workstations for data and file sharing.
• A nonprofit that invests in technology equipment should allocate sufficient resources to train its staff, board, and volunteers in its use. All staff should have current training to use those systems that are relevant to their work.

• A nonprofit should monitor ongoing technological developments that could have an impact on its information systems or mission.

• Nonprofits must protect against identity theft of information in their physical and electronic records. As part of an identity theft policy, a nonprofit must:
  ◆ Limit the use of social security numbers that it collects;
  ◆ Have a policy with procedures for the destruction of records containing personal information; and
  ◆ In the event of a security breach, notify all individuals whose personal information was compromised. #
Evaluation of Results

As entities that serve the public, nonprofits have an obligation to demonstrate their value to the public good. The public has a stake in nonprofit performance and is entitled to information about organizational results. Nonprofits should regularly measure their performance against the results they want to achieve and should share this information with their constituents. Nonprofit evaluation should be appropriate to the size and activities of the organization, and evaluation data should be used to continually improve the quality of processes, programs, and activities.

- A nonprofit should have defined, ongoing, and sustainable procedures in place for evaluating its programs, procedures, and results in relation to its mission.

- A nonprofit should regularly receive input from and monitor the satisfaction of its stakeholders whose feedback should be used to evaluate its programmatic and organizational effectiveness. Stakeholders include staff, board, volunteers, funders, community members, partners, and other key constituents.

- Performance measures should be realistic, specific, measurable, and appropriate to the size and scope of the nonprofit and its stakeholders.
• Measurement should include information on satisfaction, activities, and results. Measurements should include both qualitative and quantitative data. The specifics of content, format, and timing should be decided based on the different circumstances of each nonprofit.

• Every reasonable means should be taken to ensure that participants' confidentiality is maintained without compromising the need for changes and improvements in programs and services.

• A nonprofit should share the results of its evaluation with all interested stakeholders.
Strategic Alliances

The effectiveness of nonprofits depends on successful relationships with other community institutions. Strategic alliances can take many forms -- partnerships, collaboration, cooperation, or coordination -- and these relationships serve a variety of purposes including resource sharing, policy influence, and improved operational efficiency. They strengthen both the capacity of individual organizations and the sector as a whole. Nonprofits should be open to strategic alliances and, when appropriate, should consider partnering with other organizations to strengthen their capability to achieve desired results. Nonprofits should work to promote cooperation and coordination among a variety of entities to avoid unproductive duplication of services and to maximize the resources available to the communities they serve.

- Decisions regarding strategic alliances should be consistent with the strategic goals of the participating organizations.

- Nonprofits should stay aware of and coordinate with other organizations providing similar or complementary services in their communities.

- A nonprofit should be open to strategic alliances as a means to help achieve goals, improve effectiveness and efficiency, and/or strengthen community connections with stakeholders and others.
• Nonprofits should establish clear and realistic expectations for evaluating the success of their strategic alliances.

• While most nonprofits pursue both cooperative and competitive relationships, a nonprofit should be encouraged to promote other organizations’ services to enhance stakeholder choice whenever possible. Having a variety of nonprofits is positive and healthy for a community as it provides for a continuum of approaches, leadership opportunities, individual choices, and customization at the local level.

• Nonprofits should work to establish natural alliances with government and businesses to leverage the total resources of the community.
Civic Engagement and Public Policy

Nonprofits play a central role in the democratic process by providing a means for individuals to deliberate on public policies and decisions that affect them. To the extent possible, nonprofits should engage in public policy and advocacy activities to promote constituent, organizational, and sector interests. Nonprofits should work to promote broad public participation in public policy and advocacy efforts and should provide assistance to the public in these efforts.

- A nonprofit should advocate publicly on behalf of its mission and organizational values and for the sector as a whole on issues that affect all charitable nonprofits.

- Nonprofits are encouraged to join together around policy issues to strengthen their impact on public policy.

- Nonprofits are encouraged to lobby as this is a legal activity under federal and state law (unless funders impose restrictions).

- Nonprofits that do lobby are subject to state and federal reporting requirements and must file accurate and timely reports on their lobbying activities and comply with all laws. Lobbying reports are filed with the IRS (for any legislative lobbying), the North Carolina Secretary of State (for lobbying...
of state government), and the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives (for federal registered lobbyists).

- A nonprofit board should consider both the 501(h) election and the "insubstantial part" rule related to financial expenditures for lobbying to determine which reporting mechanism is most appropriate for the organization.

- Federally funded nonprofits that engage in lobbying activities must organize their legislative work so that no federal funds are used for this purpose.

- When possible, nonprofits should help their constituencies develop skills and learn about opportunities for public and civic engagement. A nonprofit engaged in promoting public participation must ensure that the activities of the organization are nonpartisan.

- Nonprofits should promote nonpartisan efforts to encourage voting and other participation in federal, state, and local policymaking.

- Organizations whose constituencies are affected by government actions are encouraged to provide public forums for discussion and information on the effects of these public policies.

- Information provided to policymakers, the media, and the general public becomes a matter of public record. Therefore, a nonprofit should ensure that the information is timely and accurate and that the social and political context of the information is clear in order to avoid misunderstanding or manipulation of the message.

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• A nonprofit should have a written public policy and advocacy plan that defines how decisions are made, as well as the scope of activity, time, and resources to be allocated to this work.
Transparency and Accountability

As entities that serve the public, nonprofits have an ethical obligation to conduct their activities in a way that is accountable and transparent to their stakeholders. Nonprofits should engage in ongoing efforts to openly convey information to the public about their missions, activities, accomplishments, and decision-making processes. This information should be easily accessible to the public and should create external visibility, public understanding, and trust in the organization. Especially in times of crisis, nonprofits have a special responsibility to be forthcoming and honest in their communications with stakeholders.

- A nonprofit must comply with all legally required reporting procedures. #

- A nonprofit has a financial obligation to use its resources responsibly for the purpose of serving the public interest. Financial audits should be approved by the organization’s board and certified by the executive director/CEO and chief staff financial officer of the organization.

- A nonprofit has a responsibility to establish and regularly determine clear performance measurements and to share those results with the public.
- A nonprofit has a responsibility to adhere to its field's established, professional standards (if applicable).

- Stakeholders of nonprofits should be provided with ongoing opportunities to interact with the board and management regarding the organization's activities.

- In serving the public trust, a nonprofit should produce an annual report that contains information regarding activities and financial and programmatic performance and results. The annual report should include:
  
  ◦ an explanation of the organization's mission, activities, and results;
  ◦ an explanation of how individuals can access its programs and services;
  ◦ overall financial information, including income and expense statement, balance sheet, and functional expense allocation; and
  ◦ a list of board members, staff, and donors.

- Every nonprofit must also make information available to the public as required by state and federal laws. For example, nonprofits are required to make their IRS Form 1023 application for recognition of exemption and their IRS Form 990, 990-PF, or 990-N (ePostcard) publicly available; nonprofits' N.C. lobbying disclosure filings are public documents; and nonprofits that are registered for N.C. charitable solicitation must make their licenses available upon request.

- A nonprofit should make its governing documents (articles of incorporation and bylaws) and conflict of interest policy available to the public.
• A nonprofit should provide multiple ways (mail, phone, email, fax) that it can be contacted by the public to request information or provide input.

• Nonprofits should have crisis communication plans that can be implemented expeditiously by staff and/or board members.
Risk Management

Risk is any uncertainty about a future event that threatens the organization's ability to accomplish its mission. A risk management program provides a framework for balancing and understanding risks and for empowering staff and board to make good choices in dealing with them. A nonprofit should identify and deal with risk as it applies to an organization's core assets: its people, property, income, and goodwill.

- A nonprofit’s risk management program should indentify internal and external organizational risk as a way to anticipate and manage future events. The executive director/CEO, in conjunction with financial/administrative staff and the board of directors, should initiate a risk management program.

- The risk management program should evaluate and prioritize mission-critical functions of organizational risk, providing strategies, techniques, and approaches to secure them.

- To protect its assets, a nonprofit may obtain appropriate insurance coverage—a minimum of general liability and directors and officers insurance (if applicable).

- Everyone in a nonprofit has a responsiblity for dealing with risk. To ensure that risk management becomes an integral part of the organization’s life, it should develop a Business

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Continuity Plan (BCP) and train staff and volunteers accordingly.

- Nonprofits should regularly monitor and update their risk management program and policies.
About the N.C Center for Nonprofits

Mission
To enrich North Carolina’s communities and economy through a strong nonprofit sector and nonprofit voice.

Goals
1. To provide high-quality assistance and information on effective practices in nonprofit management and leadership.
2. To foster communication and collaboration among nonprofits.
3. To serve as an advocate on issues that affect the capacity of all 501(c)(3) nonprofits in the state to address their communities’ needs.
4. To enhance public recognition of the importance of the nonprofit sector to the people of North Carolina.
5. To help nonprofits save money on their operating costs.
What Do You Get As a Center Member?

Get help for you and your nonprofit

- Unlimited access to our confidential Board and Staff Helpline.
- Free consultations with legal, accounting, and human resources and marketing experts.
- The Common Ground newsletter.
- "Memo to Members" emails.
- Referrals to experienced peers.
- Unlimited access to our Members-Only online FAQs with over 1,200 resources for fundraising, human resources, financial management, boards, and more. Go to www.ucnonprofits.org/members/faqMO.asp.

Cut costs - stretch your funds

- Conference calls and teleconferences - sharply reduced rates and easy to use.
- Office supplies - save on brand items plus fast, free delivery.
- Online Jobs Board - affordable, effective hiring tool for all your openings.
- Human resources services - manage your insurance, benefits, and more.
- $20 off Self-Help Credit Union membership.
- Turn-key packages for communication technology - with no up-front costs.
- Unemployment insurance - big savings for small and large nonprofits.
- Information technology services - 10-15% off on installation, maintenance and more.
- Payroll processing - 20% discount on a full range of services.
- Email marketing and surveys - save 50%.
- Videotapes of "Grassroots Fundraising with Kim Klein" - 30% off.

- Savings on books and resources from:
  - BoardSource - 15% off
  - Fieldstone Alliance - 20% off
  - John Wiley & Sons/Jossey-Bass Publishers - 21% off
  - Nonprofit Risk Management Center - 20% off
- Savings on subscriptions:
  - Contributions magazine - $10-$31 off
  - Grassroots Fundraising Journal - 10% off
  - The Nonprofit Quarterly - 25% off
  - Stanford Social Innovation Review - 29% off
- Online gift acceptance - get more from each dollar you collect online.
- GiftWorks fundraising software - 20% off.
- Credit card processing - discount processing for all card types.
- Auto insurance for nonprofits and staff.

Tap a network of peers

- A forum to exchange ideas and solutions with other nonprofits.
- ShopTalk discussion groups for CEOs, VPs, boards, and staff in administration/finance, advocacy, communications, development, and technology.
- Discounts on annual conferences and other Center-sponsored events.
- A link from our website to yours.

Join in a voice for nonprofits

- A coalition of nonprofits working together for a better North Carolina.
- Public Policy Updates on legal and policy issues that affect you.
- A vote in Center board elections.

For more information on these Member benefits, see the "Resources" tab at www.ucnonprofits.org or call Paula Jones, 919-790-1555, ext. 120.

Principles & Practices
## Become a Member Now

Name ___________________________ Title ___________________________
Organization ________________________________________________________
Address ____________________________________________________________
City ___________________________ Zip ___________ County ________________
Phone ___________________________ Fed ID # _______ __________
Email ___________________________ Web _________________________________

*Total Annual Expenses $ _______
Total # employees _______ Total # Board members _______

Is your organization tax-exempt under 501(c)(3) of the IRS Code? Yes ___ No ___

What's your organization's purpose? To ________________________________

Your annual dues: $ __________________

If your annual expenses* are: Dues are: Total number of staff and/or board members you can have on our mailing list including the name listed above:

| Less than $25,000 | $70 | 2 | (You can add more names for $35 per person. Many groups include their full board and staff.) |
| $25,001 to 49,999 | $80 | 2 |
| $50,000 to 99,999 | $130 | 2 |
| $100,000 to 199,999 | $185 | 3 |
| $200,000 to 299,999 | $260 | 3 |
| $300,000 to 499,999 | $315 | 3 |
| $500,000 to 749,999 | $370 | 4 |
| $750,000 to 999,999 | $450 | 4 |
| $1 million to 1,999,999 | $550 | 5 |
| $2 million to 4,999,999 | $650 | 5 |
| $5 million to 9,999,999 | $900 | 5 |
| $10 million to more | $1,200 | 5 |

* Please use "Total Expenses" from page 1 of your IRS Form 990 or 990-EZ, or your expense budget for this fiscal year. Private foundations: Please use Total Operating and Administrative Expenses from your 990-PF.

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Principles & Practices
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