

NORTH DAKOTA ASSOCIATION

NDANO

OF NONPROFIT ORGANIZATIONS

PRINCIPLES & PRACTICES

for Nonprofit Excellence
in North Dakota

*A Guide for Nonprofit
Staff and Board Members*

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INTRODUCTION



The North Dakota Association of Nonprofit Organizations (NDANO) is pleased to present the first edition of the *Principles and Practices for Nonprofit Excellence in North Dakota*. Its intent is to provide North Dakota nonprofits striving for excellence with a tool for strategic planning and operational evaluation relative to other nonprofits in the state, to support the quality of the nonprofit sector and to increase public understanding of the role and contributions of the sector.

Advice for Users

Principles and Practices is meant to educate nonprofit leaders, board members, managers, volunteers and staff about the fundamental roles and responsibilities of nonprofit organizations. Clearly a large list of recommended practices presents challenges for small organizations with limited resources. Small and midsized nonprofits may have limited or no staff or lack specialized positions to develop recommended policies and systems. In fact, it is important to note most nonprofits will not demonstrate full adherence to all principles immediately, nor will they have every practice reflected in their operations. However, *Principles and Practices* should provide a basis for each organization to make a determination of how to best move its programs and services forward – it is a management tool for continuous improvement of nonprofits. It is not meant for use by funders or government to evaluate nonprofits, nor is it intended as a substitute for the wisdom of board members of individual organizations.

Definitions

- A “principle” is a broad statement that defines a suggested ethical or managerial direction for a nonprofit.
- A “practice” is a suggested method to achieve the principles.
- **“Must” is used to describe practices required by state or federal law.**
Legal requirements are identified by *ND and/or *US throughout this edition.
- “Should” is used to describe highly recommended practices.

Principles and Practices is designed to support the effective functioning of the nonprofit sector by recommending specific best practices. It is not meant to be construed as legal advice and is not a substitute for individualized consultation with an attorney. While only legal requirements for 501(c)(3) nonprofits are included, it remains a strong tool for all nonprofits to increase good governance, accountability and transparency. This publication is designed for established nonprofit organizations.

To learn how to set up a new nonprofit, the North Dakota Secretary of State has published *How to Begin and Maintain a Nonprofit Corporation in the State of North Dakota*.

Our Invitation

NDANO is pleased to release *Principles and Practices* in order to “raise the bar” for all nonprofits in North Dakota. We invite you to use the guide with your organization’s board and staff as a tool to evaluate your operations and identify ways to become more effective and efficient while maximizing your community impact.

As you begin to use *Principles and Practices*, NDANO welcomes your feedback. Please let us know how you applied *Principles and Practices for Nonprofit Excellence in North Dakota* in your organization.

NDANO Member Benefits

NDANO is pleased to offer its nonprofit members access to an electronic version of *Principles and Practices* with “must” practices hyperlinked to relevant state or federal laws, along with a legal citation summary. In addition, NDANO nonprofit members have access to a checklist that provides organizations an easy way to track their progress in implementing practices and moving their missions forward. Templates and other references for many of the practices are also available by contacting NDANO.

GOVERNANCE



Nonprofit corporations are created under state law and, for the most part, it is state law that determines how they are governed. Members of the governing body, typically the board of directors or board of trustees, need to be aware of the legal fiduciary duties related to their work. A nonprofit's board of directors is responsible for developing, defining and reviewing the organization's mission and for providing overall leadership and strategic direction to the organization. Boards are not owners of the organization but are stewards of the organization's mission and resources. Each nonprofit board should actively set policy and ensure the organization has adequate resources to carry out its mission, provide direct oversight and direction for the executive director and the organization as a whole, and evaluate its own effectiveness as a governing body and as representatives of the community in upholding the public interest served by the organization.

Board Responsibilities

- 1. Nonprofit board members must undertake their duties in good faith, in a manner the board member reasonably believes to be in the best interests of the organization, and with care, as an ordinarily prudent person in a like position would exercise under similar circumstances. (*ND)**
2. Nonprofit board members are responsible for upholding the organization's mission, ensuring its ongoing financial health and using its resources wisely and in accordance with the law.
3. Board members should gain a full understanding of their board roles and responsibilities to the organization and to the public by being provided with a clear set of expectations and responsibilities; bylaws, articles and other key documents of the organization; an introduction to the work of the organization; and ongoing opportunities to discuss and review responsibilities.
4. Board members are responsible for fully understanding their legal and fiduciary responsibilities and carrying out their duties as follows: strategic planning; policy approval and ongoing review; annual review of the executive director's performance and compensation; succession planning; setting of compensation structure; annual budget and revenue plans; financial procedures; risk management; and regulatory filings.
5. Board members are responsible for keeping suitably informed in order to actively participate in decision-making.
6. Board members are responsible for making decisions in the best interest of the organization and no other party, including themselves. Each board should have a conflict of interest policy that includes a disclosure form, signed by board members annually, and procedures for managing conflicts of interest and handling situations in which public and private interests intersect.
7. The board should review and approve a copy of the completed IRS Form 990 before it is submitted each year and approve the annual fiscal audit letter and report, if applicable.
8. The board should review external program audit reports, including accreditation reports, and assure that programs are licensed properly, as applicable and required by state law.
9. Board members should be willing to publicly advocate for the organization, help widen the organization's reach and develop connections with the community and its leaders.

Board Composition

- 10. Nonprofit boards must have at least three members, except as otherwise provided by law. (*ND)** Boards should consist of at least five individuals unrelated to each other or staff to allow for careful, thorough deliberation during decision-making and a diversity of perspectives.
- 11. Nonprofit boards must have a chair (or president) and a secretary (*ND)** and should have a vice-chair (or vice-president) and treasurer. No one should serve in more than one distinct officer position in the same organization at the same time (e.g., chair and treasurer), although a combined secretary/treasurer position is not unusual.
- 12. Financially interested individuals must not make up more than 49 percent of board members. (*ND)**

13. Nonprofit boards should be made up of individual volunteers who are committed to representing the best interests of the organization, its mission and the community it serves.
14. Staff membership on the board, if deemed necessary, should be limited to the executive director (generally as an ex-officio member without official voting status). The executive director should not serve as the chair, vice-chair, secretary or treasurer.
15. Boards should establish a nominating process that seeks out new potential board members from outside the organization's traditional circles and should include board representatives from the communities the organization serves.

Board Operations

16. **A nonprofit board must abide by its bylaws regarding meetings and decision-making procedures, such as what constitutes a quorum and when and how voting without a meeting is acceptable. In the absence of applicable bylaws, state law governs. (*ND)**
17. **Board meetings must be held at least once per year. (*ND)** Boards should have at least four meetings a year and expect regular attendance of members.
18. **A fixed board term, other than ex officio, must not exceed 10 years. If not specified in the bylaws, a board term is one year. (*ND)** To ensure broad public participation, vitality and diversity, the board should establish the length of a board member's term and the number of consecutive terms that may be served.
19. Boards should adopt practices that maximize participation, including accommodating remote or electronic participation in meetings, deliberations or decision-making.
20. Boards should organize committees as needed so they can effectively structure their roles and responsibilities in order to properly exercise their duties.
21. The board chair is responsible for presiding over board meetings. The board chair should make sure board members have access to key organizational documents and training. The board chair should also pay particular attention to helping the board be aware of its obligations with regard to conflicts of interest, board attendance, board evaluation and compliance with board policies.
22. The board, led by the board chair, should annually evaluate its own performance and review the results with an eye toward improving its practices.

Board Characteristics and Qualifications

23. Board members should actively develop an understanding of the mission, ongoing activities, finances, business model and changes in the operating environment of the organization.
24. Board members should value diversity, equity and inclusion and understand the role of broad participation and the importance of including diverse groups of people in the current and future success of the organization's work.
25. To demonstrate their personal stake in the organization, board members should volunteer their time or expertise, help raise external funds and/or make personal financial contributions to the organization.
26. Board members should receive no monetary compensation for their board duties other than reimbursement for board-related expenses.

ACCOUNTABILITY AND TRANSPARENCY



Nonprofits have a legal and ethical obligation to their constituents and the public to conduct their activities with accountability and transparency. Information from a nonprofit should be easily accessible to the public. It should strive to establish external visibility and build public understanding and trust in the organization.

Accountability

1. **A nonprofit must comply with all legally required reporting procedures, including filing the Form 990 with the IRS and a Nonprofit Annual Report with the Secretary of State. (*ND, US)**
2. A nonprofit has an obligation to responsibly use its resources toward its mission and to benefit the community.
3. Each nonprofit has a responsibility to adhere to the established industry and regulatory standards that apply to its particular mission area.

Public Information

4. **Nonprofits, except churches, must make certain data available to the public, including IRS Form 990 for the previous three years with clear program service accomplishments and IRS Form 1023. (*US)** The organization should make this information available on its website free of charge.
5. **Nonprofits that are supported by public funds or are expending public funds may be required to follow open meeting and records requirements, as defined by state law. (*ND)**
6. A nonprofit should provide multiple ways for constituents to request information or provide input.

Communications

7. Nonprofits should establish a thorough understanding of their key audiences and regularly assess the effectiveness of communication strategies and tools used to reach those audiences. A nonprofit should adjust its strategies over time to best match technologies to its audiences' communication preferences.
8. A nonprofit should plan its communications to tell the story of the organization and maintain consistent, mission-focused and timely communication with stakeholders.
9. A nonprofit should produce an annual report (either printed or electronic) that contains information on its activities and performance. The annual report should include an explanation of the organization's mission, activities, results and impact; information on how individuals can access its programs and services; financial information, including income and expense statement, balance sheet and functional expense allocation; and a list of board members, management, staff and contributors.
10. Nonprofits should have a plan for how to communicate with key stakeholders in the event of unforeseen events.

Accessibility and Public Input

11. Nonprofit boards should make information available to the organization's constituents that describes the board's decisions and decision-making processes.
12. A nonprofit should provide its constituents with ongoing opportunities to interact with the organization's leadership about its activities and be responsive to raised concerns.

Fairness and Equity Practices

13. **Nonprofits must ensure nondiscriminatory service to their constituents in accordance with state and federal law. (*ND, US)**
14. **Nonprofits providing social and health services must abide by all applicable HIPAA laws to protect the privacy of health information. (*US)**
15. Nonprofits should disclose how constituent information will be used and ensure the organization complies with an individual's expressed confidentiality and privacy preferences.
16. Information regarding fees and services should be made readily available to the public, including available discounts and scholarships. When charging for services, nonprofits have an obligation to set fair prices and seek ways to accommodate an individual's ability to pay, keeping in mind the need to balance the organization's revenue and expenses.

FINANCIAL MANAGEMENT



Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal and 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 effective and efficient ways and should establish clear policies and practices to regularly monitor how funds are used. Nonprofits should seek to maintain or sustain a business model that will offer reliable, flexible and diverse resources to accomplish the organization's mission.

Functions

- 1. Nonprofits that receive federal dollars, whether directly or passed through another agency, must comply with the U.S. Office of Management and Budget Uniform Guidance. If a nonprofit expends more than \$750,000 in federal funds for its operations, it must have a single audit. (*US)**
2. Nonprofits should adopt written financial procedures and have appropriate financial management software to record revenues and govern major expenses and use of assets, including cash and in-kind contributions; payroll; leases; expense reimbursements; travel; contracts; consultants; investments; and use of debt.
3. A nonprofit should ensure separation of financial duties to serve as a checks and balances system to prevent theft, fraud or inaccurate reporting to the greatest extent possible. This system of internal controls should be formally adopted by the board and appropriate to the size of the organization's financial and human resources.
4. The board should annually review and approve a detailed written budget of revenues and expenditures and gain a sufficient understanding of the assumptions behind the budget's development when doing so.
5. Individuals responsible for an organization's financial reporting should prepare and present to the board consistent, timely and accurate financial reports at least quarterly, with comparisons to the annual budget.
6. Board members and key staff should clearly understand how to read and interpret financial statements, including the limits on the use of restricted funds in nonprofits and the role of debt, and ensure financial expertise is available to the organization as needed. Boards should provide oversight to insure major adjustments are made to program expenditures, when needed, to stay within budgeted amounts.
7. The board treasurer should take a leadership role in helping the board understand its duties with regard to financial management. The treasurer also should foster board awareness of the organization's current financial condition, forecasted revenue and need to make timely adjustments in expenditures to keep the organization healthy.
8. Nonprofits accepting funds from government entities should be conscientious in negotiating contract terms to ensure that payment levels, conditions and reporting requirements are consistent with the mission of the organization and the interest of the people being served.
9. Nonprofits should periodically assess their risks, take appropriate actions to minimize these risks and purchase insurance policies appropriate to entities of their size and activities to cover property and liability risks, directors and officers, employment practices and other specialized needs.
10. A nonprofit's board should use comparable market data to set compensation for the executive director.

Compliance

- 11. Nonprofits must comply with all financial regulations, such as withholding and payment of federal, state and Social Security taxes. (*ND, US)**
- 12. Nonprofits must determine if and when it is required to pay or collect state sales and use tax. (*ND)**

- 13. Nonprofits must spend, manage and invest funds prudently and in compliance with conditions attached to funding, in accordance with the state Uniform Prudent Management of Institutional Funds Act, as applicable. (*ND)** Nonprofits should develop an investment policy statement.
- 14. Nonprofit boards must prohibit financial loans to board members, family members or related organizations. (*ND)**
- 15. Nonprofits must ensure their assets are used solely for the benefit of the organization and not for personal or other gains. (*US)** To carry out this duty, an organization should have a clear conflict of interest policy.
- 16. Nonprofits must not allow personal use of funds or business credit cards as any such transaction may constitute an unauthorized loan, private inurement or an excess benefit transaction under the intermediate sanctions rules. (*US)**
- 17. Federal law prohibits retaliation against whistleblowers (*US),** so nonprofits should have systems in place, including a whistleblower policy, to protect individuals who report financial misconduct from negative repercussions for doing so.
18. If a nonprofit's total revenues for the previous fiscal year exceed \$750,000, it should have its financial statements audited, certified and prepared in accordance with generally accepted accounting principles (GAAP). The board should designate a board committee to hire the auditor, oversee the audit process, meet with the auditor to review the audit's content and present the audit's findings to the full board for its review and approval. If a nonprofit does not undergo an external audit, it should consider having an annual independent review or establish an internal process for annual examination of financials.

Sustainability

19. Nonprofits should secure appropriate levels of funding to carry out their missions and activities and, when possible, diversify their revenue sources to avoid being dependent on a single funding type.
20. Nonprofits should work diligently to avoid recurring deficits and aim toward building up sufficient operating reserves as determined by the board.

FUNDRAISING



Nonprofits provide opportunities for individuals and institutions to voluntarily contribute to missions of their choosing. Nonprofits play an important societal role in developing a culture of philanthropy that allows people to express their values and make contributions as investments in their communities. Nonprofits should be good stewards and conduct their fundraising 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 and open, transparent communication with contributors and other constituents.

Accountability

- 1. Nonprofits must comply with all federal, state and local laws concerning fundraising practices. This includes compliance with charitable solicitation laws in each state where it raises funds, including those raised online. Unless excepted by law, a nonprofit must file a Charitable Organization Annual Report with the Secretary of State. (*ND)**
- 2. Nonprofits that seek to raise money through gaming, auctioneering or raffle activities must comply with local, state and IRS rules and laws related to these activities. (*ND)**
- 3. Nonprofits must ensure that any professional fundraisers working on their behalf (employees of the nonprofit excepted) are registered with the Secretary of State and follow all applicable laws. (*ND)**
- 4. Nonprofits must follow all applicable state laws related to telephone solicitations and the do not call registry. (*ND)**
- 5. Nonprofits must use funds consistent with documented donor intent and comply with specific conditions placed upon donations. (*ND)**
6. Nonprofits are responsible for conducting their fundraising activities in a manner that upholds the public's trust in stewardship of contributed funds.
7. A nonprofit board and staff should be familiar with professional standards, such as the Association of Fundraising Professionals' *Code of Ethical Principles and Standards of Professional Practices*, and ensure all fundraising professionals acting on behalf of the organization behave ethically.
8. Nonprofits that use online fundraising strategies should exercise due diligence in vetting and selecting any third party vendors or processors to ensure their capabilities can support other fundraising best practices, as well as to assess the stability of the provider and its ability to ensure the security of donor data.

Policies

9. Nonprofit boards should adopt a fundraising plan and systems to ensure sufficient charitable contributions are raised to meet budgeted objectives.
10. Nonprofits should have a policy that sets out conditions under which they would decline funds or in-kind donations given for purposes outside the scope of the mission or that would otherwise bring about adverse conditions for the organization or constituents.
11. Nonprofits should ensure a high percentage of each dollar raised goes directly to funding programs and services. These percentages should be in accordance with practices of comparable organizations and with representations made by the organization to contributors and the public.
12. Compensation for fundraising personnel and contractors should not be based on a percentage of funds raised or other commission-based formulas.

Donors

- 13. Nonprofit communications, including fundraising appeals, must include clear, accurate and honest information about the organization, its activities and when, where and for whom the funds will be used, in addition to the tax treatment of a contribution. (*ND, US)**

- 14. Nonprofits must send a written acknowledgment to all donors who make a “quid pro quo” donation (that is, a payment made partly as a contribution and partly for goods and/or services) in excess of \$75 and must also send a written acknowledgment to all donors who made contributions of \$250 or more in cash or property in the previous calendar year. (*US)** For donors who have not given more than \$250 in the previous calendar year, nonprofits should send an annual statement of giving. A nonprofit should promptly acknowledge and thank donors for every gift, regardless of amount, including in-kind donations.
15. Nonprofits should strive for a balance between publicly recognizing charitable contributions and maintaining donor confidentiality when requested.
16. Nonprofits should respect donor preferences in the handling of their information and should implement systems and policies that secure this information, effectively use it to communicate with donors and prevent its use for improper purposes. Nonprofits are allowed to share but must not trade or sell contact information for any donor without prior permission from the donor.
17. When developing a fundraising campaign, nonprofits should honor donor preferences regarding how often donors are contacted and how they receive that communication.

HUMAN RESOURCES



The ability of an organization to make the best use of the energy, time and talents of its employees and volunteers (staff) is essential to accomplish the mission. Nonprofits should place a high priority on exercising fair and equitable practices that attract, retain and actively engage qualified staff. Nonprofits have an obligation to comply with all applicable employment laws and to provide a safe and productive work environment. Each nonprofit should establish specific policies and practices that promote cooperation and open and effective communication among employees, volunteers and other stakeholders so they can productively work together to advance the organization's mission.

Staff Policies

1. **Nonprofits must comply with all federal, state and local employment laws when hiring, employing and dismissing personnel. (*ND, US)**
2. **Nonprofits must comply with employment mandates, including payroll taxes; workers' compensation; unemployment compensation; accurate designation of employees and contractors; and wage and hour laws. (*ND, US)**
3. **Nonprofits must follow applicable laws with respect to background checks of prospective employees or volunteers. (*ND, US)** Nonprofits may be required to conduct background checks on paid and unpaid staff, particularly if their positions involve working with children or vulnerable adults, performing financial duties or serving in other sensitive areas. Background checks should be conducted in a uniform and consistent way. Whether or not an individual's background should disqualify him or her should be based on an individual assessment.
4. **While volunteers and employees work closely together in many organizations, nonprofits must abide by the distinctions between the legally allowed activities of volunteers and employees:**
 - a. **Employees of an organization may volunteer for the organization as long as the volunteer duties are outside of regular employee assignments, outside of normal working hours, predominantly for the employee's benefit and without any penalty to the employee for not volunteering. (*US)**
 - b. **Financial and in-kind benefits to volunteers must be limited to reimbursement for business-related expenses, minor fringe benefits and/or nominal fees for services. (*US)** Volunteer stipends should not be tied to the amount of hours engaged in volunteer activities and must be recorded as taxable income where appropriate.
 - c. **Uncompensated volunteers are protected under federal and state laws. (*ND, US)**
5. Nonprofits should adopt a set of board-approved policies and procedures for managing employees and a separate set for managing volunteers. Organizations should review and update these regularly.
6. Nonprofits should provide a safe and healthy work environment for their paid and unpaid staff.
7. Nonprofits should establish a clear employee conflict of interest policy that includes disclosure of relationships and interested party transactions.
8. Nonprofits should adopt procedures that allow staff the opportunity to rectify their grievances.
9. Board members should make an intentional distinction between their governance role as volunteer board members and any activities they conduct as program-based volunteers.

Recruitment and Retention

10. Nonprofits should employ skilled individuals who are suitable for the positions they occupy (paid or unpaid) and are committed to the goals, values and objectives of the organization.
11. Nonprofits should periodically review the organizational chart and efficacy of position types and recommend adjustments to the structure as necessary.
12. Nonprofits should assess the capacity of their organization to engage, supervise and support volunteers with the necessary level of attention, priority and resources before recruiting volunteers. Once established, the volunteer program should be evaluated periodically to assess the impact of the program, as well as the cost and benefits involved in recruiting, engaging and supervising volunteers.

13. Nonprofits should provide paid and unpaid staff with clear, current job descriptions, a comprehensive orientation and the resources they need to produce quality work.
14. Nonprofits should define their compensation philosophy, balancing internal equity with market-based and livable compensation for all employees. To the extent of their ability, nonprofits should provide paid employees with adequate benefits, including health insurance, and the opportunity to financially contribute to retirement plans.
15. Nonprofits should create a culture of transparency and open communication where internal information is shared as appropriate. This also includes being open to input from staff regarding the organization's activities and results on a continual basis.
16. Nonprofits should develop a plan for how vacancies in senior leadership positions will be filled, including in the event of voluntary and unexpected departures.
17. When employees and volunteers depart, nonprofits should conduct exit interviews to learn from the employee's employment experience.
18. When employees are terminated, nonprofits should provide adequate notice and information about benefit continuation, unemployment compensation, references and job placement assistance when possible.

Diversity, Equity and Inclusion

- 19. Nonprofits must establish and abide by a broad and encompassing equal opportunity employment policy, unless excepted by law. (*ND, US)**
20. Nonprofits should strive toward creating an equitable and inclusive workplace that welcomes and supports employees and volunteers who reflect the diversity of their community.

Training and Development

21. Nonprofits should promote paid and unpaid staff education and development and provide opportunities for growth and advancement.
22. Nonprofit boards should budget for the professional development of their staff.
23. Nonprofit employees should receive ongoing performance-related feedback and a formal performance evaluation at least annually.

ADVOCACY AND PUBLIC POLICY



Advocacy is the active support of an idea or a mission. In order to operate effectively and advance its mission, a nonprofit should advocate on behalf of the people it serves, its organization and the common interests of the nonprofit sector. A nonprofit's level of involvement in advocacy, public policy and civic engagement will vary based on the organization's mission, capacity and strategic direction. When possible, nonprofits should facilitate broad community participation in advocacy, public policy and civic engagement. Civic engagement means activities by individuals and groups to address issues of public interest and may include volunteering, working with community members to solve a problem or working with government institutions.

Advocacy and Public Policy

1. Nonprofits should maintain a sound understanding of the current public policy environment in their activity area and how that impacts the communities they serve.
2. Nonprofits should build relationships with elected officials, community leaders and other nonprofits in order to strengthen their ability to affect community change and impact public policy.
3. Nonprofit boards should consider taking organizational positions on policy issues that impact the mission of the organization, its constituents or the nonprofit sector as a whole.
4. If engaged in public policy and advocacy activities, nonprofits should adopt a written policy that clarifies the scope of the work, as well as the time and resources to be dedicated to those activities, including clear guidelines to ensure compliance with federal limits on lobbying activity and the prohibition on political campaign activity.
5. Nonprofits should join together in strategic alliances around policy issues to strengthen their impact on public policy.
6. In situations where an organization's mission is directly affected by a public policy, nonprofits should be proactive and undertake advocacy efforts regarding the policy, which may involve a variety of advocacy activities including direct lobbying.
7. Nonprofits should encourage board members, staff, volunteers and constituents to act as advocates and ambassadors for their organization and should provide appropriate training and resources to those advocates.

Lobbying

8. **Lobbying by nonprofits and using funds (within limits) to influence legislation is specifically authorized by federal law with mandatory reporting on the IRS Form 990. (*US)**
9. **Nonprofits that engage in lobbying activities are subject to state and federal lobbyist registration and reporting requirements and must file accurate and timely reports on their lobbying activities. (*ND, US)**
10. **Nonprofits that are engaged in lobbying activities must be aware of their funding sources' limitations on the use of funds and must organize their legislative work so that only funds not restricted in this way are used for lobbying. (*US)**
11. Nonprofits should consider making a 501(h) election to have permissible lobbying activity measured based on an expenditure test consisting of an organization's overall exempt purpose expenditures.

Political Campaign Activity

12. **501(c)(3) organizations must not take positions or spend funds to support or oppose a candidate for political office or coordinate their activities with a candidate, political party or other organization supporting or opposing political candidates and should avoid activities that could be perceived as endorsements of candidates or political parties. (*US)**
13. Nonprofit representatives, including board or staff members, should distinguish between their personal positions or endorsements and the nonpartisan stance of their organization. They should refrain from situations that create the appearance of any organizational endorsement for candidates or political parties.

Promoting Participation

14. Nonprofits should help their clients, members, volunteers and donors learn how relevant policies affect them, develop their skills and knowledge in public policymaking, and help them take advantage of opportunities to participate in the public policy process.
15. Nonprofits should consider promoting nonpartisan efforts to encourage voting and other participation in federal, state and local policymaking.
16. 501(c)(3) organizations should consider promoting awareness of elections and issues, including sponsoring nonpartisan candidate forums and legislative score cards.

PLANNING



Organizational planning defines the overall direction, activities and strategies that will be used to fulfill a nonprofit's mission. Nonprofits should engage in sound planning to define a clear vision for the future and specific strategies for reaching established goals. Nonprofit planning should be proactive rather than reactive. It should incorporate evaluation results and periodic analyses of community needs as it relates to its mission. The process should be intentional and ongoing in order to best position a nonprofit to achieve its goals.

Mission, Vision and Values

- 1. Nonprofits must report any material changes to their organizational purpose and activities to the IRS (via the Form 990, if applicable). Additionally, a nonprofit must report changes to its Articles of Incorporation to the Secretary of State. (*ND, US)**
2. A nonprofit should have a clearly defined, written mission statement that describes its core purpose of and guides its overall aims and activities.
3. A nonprofit should consider adopting a vision statement (expressing its aspirations and the impact it will make) and a values statement (affirming the core beliefs or principles that drive its work).
4. The mission, vision and values should be evaluated regularly by the board to determine if they still meet the evolving needs of the nonprofit's constituents and the public.

Strategic Plan

5. Nonprofits should create a mission-driven written strategic plan every three to five years through a board-established process that sets clearly defined long-term goals and objectives.
6. A strategic plan should be informed by a review of the external factors that affect the nonprofit's operating environment, including changes in the political, economic, demographic, legal or competitive environments, taking into account the opportunities for action or collaboration and threats to success or sustainability.
7. Nonprofits should be responsive to community needs and actively engage and gather input from a variety of sources, such as the board, staff and community members, and other constituents. This includes conferring with their counterparts to determine the need for services, the best practices in delivering them and the effective use of community resources
5. Goals and objectives should be reasonably attainable given staffing, resources, constituents and the number of people being served.
6. Nonprofits should actively make adjustments to the strategic plan to ensure assumptions and activities adapt to changing organizational and environmental realities.

Annual Operational/Work Plan

7. Nonprofits should annually create a written operational plan that specifies how activities will be implemented based on the mission and strategic goals and objectives.
8. The operational plan should be based on a careful assessment of the multiple resources necessary for implementation, including personnel, financials, stakeholders, etc.
9. The operational plan should clearly define specific activities, establish timelines, assign specific responsibility for implementation and be tied to an approved budget.
10. The operational plan should be used as a management tool for tracking and evaluating activities and outcomes.

Other Plans

11. Nonprofits should consider creating written plans for specific areas of work, such as fund development, communications, technology, succession planning, risk management and disaster planning, if they are not addressed in strategic and operation plans.
12. Nonprofits should develop contingency plans for appropriate areas of the organization, weighing the likelihood, impact on resources, opportunity and ease of planning as they create these plans.

EVALUATION



An essential responsibility of every nonprofit is to assess the impact of its actions and to learn from its previous work to better serve the community in the future. Evaluation demonstrates a nonprofit's fulfillment of its mission through a systematic, verifiable approach to measuring effectiveness and identifying areas for improvement. Evaluation also supports efficiency and process improvement, allowing an organization to best utilize its resources in areas with the greatest return. Evaluation results, and the associated organizational learning, are important for establishing accountability with stakeholders and for encouraging continued investment of resources by funders and supporters.

Components of Evaluation

1. Nonprofits should have a defined, ongoing, systematic and sustainable process that is practical and useful for improving their services, programs and internal processes, using methods appropriate to the size of the organization.
2. Nonprofits should conduct program evaluations in ways that are culturally sensitive and appropriate for the community served.
3. Performance measures should be realistic and appropriate to the size and scope of the organization and those it serves. They should be specific, whether formal or informal, and based on evidence gathered before, during and after program development and implementation.
4. Measurement should include information on outputs, outcomes, impact and satisfaction with activities and services provided, as well as data on efficiency and effectiveness. It may include both qualitative and quantitative data.
5. Nonprofits should strive to improve the evaluation skills of staff while contracting with other organizations or consultants to serve as external evaluators when appropriate and feasible.
6. Nonprofits should include realistic evaluation expenses in all project budgets.
7. When possible, a nonprofit's evaluation measures should reflect those generally accepted within the field, allowing for local comparisons against benchmarks established from rigorous studies.
8. Nonprofits should establish a system to keep personal information collected from individuals through the evaluation process confidential unless they give consent for its release.

Uses of Evaluation

9. Nonprofits should use evaluation results to gauge organizational effectiveness, improve programs and activities, and inform strategic and annual work plans.
10. Nonprofits should share evaluation results with a broad range of constituents to demonstrate the organization's impact, the community's ongoing need and the lessons learned.
11. Nonprofit evaluation should be ongoing for continuous improvement and should include input from a wide variety of stakeholders.
12. Nonprofits should be open to receiving feedback from members of the public who are interested in the organization's effectiveness.

INFORMATION AND TECHNOLOGY



Nonprofits should gather and manage information with regard to confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness and legal compliance. Nonprofits should invest in appropriate technology to enhance capacity and thereby improve efficiency, effectiveness and accuracy in the achievement of mission. Each nonprofit should also ensure the security of sensitive or confidential information and ensure its document retention and destruction policy adequately protects print and electronic information.

Systems

1. Nonprofits should have information systems in place that provide timely, accurate and relevant information to facilitate workflow and track the organization's data.
2. Nonprofits should invest in appropriate telecommunications equipment, up-to-date, compatible computer hardware and software, and Internet access to enhance their ability to achieve the mission.
3. Nonprofits should develop computer networking and remote access strategies that are appropriate to the size of the organization.

Policies

4. **Federal law prohibits destruction of a record that could be used in an official proceeding (*US)**, so nonprofits should have a written, mandatory document retention and destruction policy or schedule with guidelines for handling all types of documents, including electronic files and those that fall under state retention policies due to open records requirements.
5. In order to ensure cost effective and appropriate use of relevant technology, a nonprofit should integrate technology planning into its short and long-term strategic and operational plans and consider the value of a separate more detailed technology plan
6. Nonprofits should maintain and implement a catastrophic recovery plan. The plan should include hardware and software inventory for insurance purposes. 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.
7. As appropriate to its technology resources, a nonprofit should have a policy that addresses personal use of the organization's information and technology and a social media use policy that balances personal freedoms with recognition that staff members' online presence impacts perception of the organization.

Security

8. Nonprofits should ensure that secure or confidential information, both print and electronic, is appropriately protected and not taken from the organization in any manner unless expressly authorized. To safeguard against these risks, a nonprofit should consider written security policies that prescribe how critical organizational information is gathered and stored, how accuracy is maintained, how and what information is backed up, and who is authorized to view or manipulate that data. Written policies should address remote access, if applicable.
9. Nonprofits that accept credit cards should comply with PCI DSS (Payment Card Industry Data Security Standards). The types of transactions and methods used by the nonprofit will determine the level at which they need to comply.
10. Nonprofits should analyze the risk of cyber-attacks and the unauthorized disclosure of personal, financial or medical information contained in digital form. Organizations should consider cybersecurity insurance policies that may cover the cost of recovering data, paying for the costs of identity theft and other losses.

STRATEGIC ALLIANCES



Sustaining a variety of nonprofits is positive and healthy for a community as it provides for a wide array of approaches, leadership opportunities, individual choices and customization at the local level. However, the effectiveness of a community's nonprofits also depends on successful relationships with one another, as well as with businesses and governments. Strategic alliances can serve a variety of purposes, including resource sharing, policy influence and improved operational efficiency. While nonprofits operate in both cooperative and competitive environments, strong relationships between nonprofits can strengthen both the capacity of individual organizations and the sector as a whole.

Strategy for Creating Connections

1. Nonprofits should be aware of ongoing developments and changes in their field, including opportunities for coordination or joint action with other organizations.
2. Nonprofits should seek appropriate strategic partnerships and alliances to achieve organizational goals, increase impact and strengthen connections with constituents and others in the communities they serve.
3. Decisions regarding strategic alliances should be consistent with the strategic goals and advance the missions of the participating organizations.

Assessment/Decision-making

4. Nonprofits should determine what resources would be required in a potential alliance, the availability of those resources and the estimated cost in comparison to the anticipated benefit to accomplishing the organization's mission.
5. Alliance agreements, such as contracts or memorandums of understanding, should establish clear roles and responsibilities. They should also include ways to ensure accountability and rules that allow for changing the alliance agreement or ending it.
6. Nonprofits should assess on an ongoing basis whether resources are being used wisely and participating organizations are fulfilling their agreed-upon roles.
7. Nonprofits should only undertake responsibility of fiscal sponsorship for another organization with board approval and full knowledge of legal obligations and liabilities.

Coordination

8. Nonprofits should work to establish communication channels, mutual understanding and beneficial alliances among government, nonprofit and for-profit sectors to take advantage of the total resources and interests of the community.
9. When possible and appropriate, nonprofits should collaborate with other nonprofits in the community through alliances and sharing of resources, connections and expertise.

NORTH DAKOTA ASSOCIATION OF NONPROFIT ORGANIZATIONS



As the premier association, leader and voice of North Dakota's nonprofits, the North Dakota Association of Nonprofit Organizations (NDANO) will strengthen communities and enhance quality of life through engaging and ensuring a strong charitable sector.

Beginnings

NDANO was founded in 1997 by state nonprofit leaders who recognized the need to strengthen nonprofit organizations in North Dakota and their ability to serve the needs of individuals and communities. NDANO celebrates its 20th year of service to North Dakota nonprofits in 2017.

Commitment

NDANO is *the* statewide membership association *for* the North Dakota nonprofit sector. Our members work in all mission areas, from human services and the environment to education and the arts, and represent all sizes, from small volunteer-run nonprofits to multi-million dollar agencies.

Service

NDANO supports and advances North Dakota nonprofits through advocacy, training, resources, networking and leadership. NDANO is an integral part of the North Dakota nonprofit sector that strengthens the economy, improves communities and engages diverse stakeholders to enhance quality of life.

Membership

Nonprofit membership applies to entire organizations, not just individuals. Nonprofit members are eligible for the entire range of NDANO benefits and have full voting privileges. NDANO's member-only discounts apply to an organization's staff and board members. Dues are based on an organization's operating budget and cover a calendar year. Businesses and government agencies are invited to become a NDANO associate member.

**Become a part of NDANO's growing
nonprofit network and join today at www.ndano.org.**

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