



PRINCIPLES & PRACTICES

FOR NONPROFIT
MANAGEMENT EXCELLENCE[®]

A guide for Mississippi Charitable Organizations
Staff, Volunteers, and Board Members



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The Alliance provides leadership and organizational development support to nonprofit and philanthropic organizations to help them address a broad range of challenges, including support and training on organizational and staff capacity, executive management, and evaluation and reporting. The Alliance connects nonprofit and philanthropic organizations in ways that transform their approach to addressing the problems they seek to solve and ensures these organizations have the resources, tools, training, and networks they need to have a meaningful and measurable impact on the communities they serve.

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INTRODUCTION

The Principles and Practices for Nonprofit Management Excellence are based on the fundamental values of quality, responsibility and accountability.

The 10 accountability principles distinguish the nonprofit & philanthropic sectors from government and the business sector. The management practices provide specific guidelines for individual organizations to evaluate and improve their operations, governance, human resources, advocacy, financial management and fundraising.

The *Principles and Practices for Nonprofit Management Excellence* are meant to educate nonprofit & philanthropic leaders, board members, managers, volunteers and staff about the fundamental roles and responsibilities of nonprofit & philanthropic organizations. The Alliance expects that the Principles and Practices will be useful to virtually every nonprofit & philanthropic organization as they form a set of reference tools that can be adapted to meet particular needs and circumstances.

Code Definitions & Note to Readers



FS: First Steps

MS: Mississippi Secretary of State requirement or other State agency requirement

IRS: Internal Revenue Service or other Federal Agency requirement.

NOTE to readers: Please be aware that the term **nonprofit** in this document refers to all registered charities in the State of Mississippi and all organizations under the IRS categories of 501(c)(3) designation including public charities & philanthropic organizations.

THE PRINCIPLES OF NONPROFIT MANAGEMENT EXCELLENCE

1. Planning & Purpose

Organizational planning is a critical process that defines a nonprofit's overall direction, activities and strategies to be employed to fulfill its mission. Nonprofits have a duty to engage in sound planning to define a clear vision for the future and specific strategies for reaching established goals. Nonprofit planning should include input from constituents and should be intentional and ongoing to position organizations to achieve their goals. Nonprofits are obligated to understand their role as entities that engage and inspire individuals and communities for public benefit, and to conduct their activities with transparency, integrity, and accountability.

2. Board 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 employs and provides oversight and direction for the chief administrative staff person (executive director) without usurping his/her authority to manage financial and human resources. Nonprofit boards have a responsibility to evaluate their own effectiveness as governing bodies in upholding the public interest(s) served by the organization.

3. Human Resources & Professional Development

Effective management of human resources is essential for creating successful organization results. The board of directors is responsible for oversight of the executive director and he/she is responsible for oversight of other staff (paid or unpaid). Nonprofit organizations should exercise fair and equitable human resource and volunteer (including board members) management practices that attract and retain qualified individuals. Staff development and training provides staff and volunteers with opportunities for growth and advancement and is crucial for institutional knowledge throughout the organization. Nonprofits have an obligation to adhere to all legal employment practices and to provide a safe work environment. Nonprofit organizations should establish specific policies and practices that promote mutual cooperation to advance the organization's mission.

4. Financial Management

Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal financial 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.

5. Transparency & Accountability

As entities that serve the public, nonprofits have an ethical obligation to conduct their activities with accountability and transparency. Nonprofits should engage in ongoing efforts to openly convey information to the public about their missions, activities 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.

6. Fundraising

Nonprofit organizations play an important societal role in serving as the vehicle through which philanthropy occurs. Nonprofit organizations provide the opportunities for individuals and institutions to contribute to a cause of their choosing. Nonprofit organizations have an ethical obligation to ensure proper handling 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.

7. Public Policy & Advocacy

Nonprofit organizations play a central role in the democratic process by providing a means for individuals to deliberate on public policies and decision that affect them. To the extent possible, nonprofit organizations should engage constituents in public policy and advocacy activities as a means to fulfilling their missions and promoting community interests. Open communication and consultation between policy makers and constituents of nonprofit organizations contribute to well-informed policies and the effective implementation of them.

8. Information & Technology

A successful nonprofit manages information with regard to confidentiality, safety, accuracy, integrity, reliability, cost effectiveness, and legal compliance. It incorporates appropriate technology into its work to improve its efficiency, efficacy, and accuracy in the achievement of its mission, and has information systems in place that provide timely, accurate, and relevant information. A successful nonprofit maintains two copies of all system data – one copy onsite for day-to-day working purposes, and one copy offsite for data recovery. Both copies should be updated on a regular basis.

9. Strategic Alliances

The effectiveness of nonprofit organizations depends on successful relationships with other community institutions. Regardless of form – partnership, collaboration, cooperation or coordination – these relationships, or strategic alliances, can 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 partner with other organizations to strengthen their capability to achieve desired results. Nonprofits should initiate and promote cooperation and coordination between a variety of entities to avoid unnecessary duplication of services to maximize the resources available to the communities they serve.

10. Programmatic Effectiveness and Evaluation

As entities that serve the public, nonprofit organizations have an obligation to demonstrate their value to the public good. The public has a stake in nonprofit performance and is entitled to information regarding an organization's results. Nonprofits should regularly measure their performance against a clear set of desired outcomes and should share such 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.

PLANNING & PURPOSE

Organizational planning is a critical process that defines a nonprofit's overall direction, activities and strategies to be employed to fulfill its mission. Nonprofits have a duty to engage in sound planning to define a clear vision for the future and specific strategies for reaching established goals. Nonprofit planning should include input from constituents and should be intentional and ongoing to position organizations to achieve their goals. Nonprofits are obligated to understand their role as entities that engage and inspire individuals and communities for public benefit, and to conduct their activities with transparency, integrity, and accountability.

Mission, Vision, and Values

1. A nonprofit should have a written, clearly defined mission statement that guides 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. **FS**
2. Originally defined by its founders, a nonprofit's mission should be reviewed by the board periodically (every two to three years) to consider societal and community changes. This review should determine whether the mission is still relevant, and/or whether it should be adapted to address evolving needs of its target constituents and the community at large.

Components of Planning

3. In planning for its activities, a nonprofit should be responsive to community needs and should solicit input from a variety of sources such as staff, board members, clients and other constituents.
4. A nonprofit should emerge from expressed community needs and periodically confirm that it is addressing changing community needs.
5. A nonprofit should consult with other organizations in its field to determine the need for service and the best use of community resources and potential partnerships.

Plan Types

Strategic Plans

6. A nonprofit should create a written three to five year strategic plan for implementation of its activities:
 - a. The plan should reflect the results of an environmental scan that includes information on internal strengths and weaknesses as well as external opportunities for, and perceived threats to achieving its organizational mission. **FS**
 - b. The plan should include clearly defined goals and objectives that are set by the organization to benefit individuals in society. **FS**
 - c. The plan should clearly define specific actions and identify the person(s) responsible for their implementation. **FS**
 - d. The plan should be a useful management tool for measuring activities and outcomes and should be tied to a solid budget. **FS**
 - e. The plan should provide a framework for regular progress reports and should be reviewed and/or updated regularly. **FS**

Operational Plan

7. A nonprofit should establish an annual operational plan that identifies goals, objectives, actions and responsibility for implementation.

Community Leadership, Inclusiveness, and Diversity

8. A nonprofit should provide opportunities for individuals to extend networking opportunities to expand its ability to serve greater populations and connect community resources.
9. A nonprofit should provide opportunities for individuals and the community as a whole to sharpen and strengthen leadership skills to encourage the development of emerging leaders.
10. A nonprofit should work to build trust between communities and to bridge relationships among diverse constituencies.
11. A nonprofit should be inclusive in its activities by remaining open to new ideas, participants, and external input. It should conduct itself in a way that is transparent, flexible, and responsive to change. **FS**
12. A nonprofit should identify its constituents and stakeholders – the people who benefit from, are affected by, are keys to the success of, and/or share the values implicit in its work.
13. A nonprofit should conduct its activities with procedural fairness to ensure inclusiveness in decision making for constituents and the community.
14. A nonprofit should provide opportunities for people from the community to hold other public and private institutions, such as government agencies, accountable to its constituents and/or the general public.

BOARD 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 employs and provides oversight and direction for the chief administrative staff person (executive director) without usurping his/her authority to manage financial and human resources. Nonprofit boards have a responsibility to evaluate their own effectiveness as governing bodies in upholding the public interest(s) served by the organization.

Board Characteristics and Qualifications

1. Board members are responsible for fully understanding their legal and fiduciary obligations. This includes upholding the organization's mission and using its resources wisely and in accordance with the law. **FS**
2. A nonprofit board should be comprised of individual volunteers who are committed to representing the best interests of the organization and its mission.
3. The board should be diverse in its makeup to be reflective of its community and have a written plan to maintain diversity. **FS**

Board Composition

4. To allow for sufficient deliberation and diversity of perspectives, nonprofit boards should consist of no fewer than five individuals all of whom are unrelated to each other or to staff. **FS**
5. Nonprofit boards must have a chair and a treasurer (with financial knowledge), and should have a vice-chair and secretary, all chosen by and from the board of directors. No one should occupy more than one officer position in the same organization at the same time. **FS, IRS**
6. If staff membership on the board is deemed necessary, it should be limited to the executive director, who should not serve as the chair, vice-chair, secretary, or treasurer. If a staff member serves on the board, he/she should not vote on issues regarding his/her compensation, benefits or other decisions pertaining to their own personal gain.
7. A nonprofit board should consist of members who represent the organization's constituents, including business and public leaders who: influence decisions and resources, provide effective governance, generate needed resources and are actively involved in meeting the organization's needs. The board should build strong relationships with local, state and federal officials where possible.

Board Responsibilities

8. The board should establish a process, including the committee or persons responsible for implementing the process, for selecting new board members that will ensure adequate infusion of new ideas and community perspectives, while preserving institutional memory. **FS**
9. All new board members should participate in a board orientation and new member training prior to and separate from their first regularly scheduled board meeting. **FS**
10. A nonprofit should provide opportunities for its board members to actively develop an understanding of the mission, ongoing activities, finances, and operating environment of the organization.
11. The board of a nonprofit should ensure that by-laws and policies address term limits on the board (how long a board member can serve before mandatory rotation off the board), number of terms that a board member can serve and expected attendance requirements at board meetings (including the ability to remove board members who fail to meet attendance requirements) and the organization's sponsored events. **FS**
12. To demonstrate personal stake in the organization, board members are expected to make personal financial contributions to the nonprofit as well as to raise funds from external sources. **FS**
13. Board members (who are not employees) should receive no monetary compensation for their board duties other than reimbursement for board-related expenses. **FS**
14. Nonprofit board members are responsible for making decisions in the interest of the organization and not in the interest of another entity, including themselves. The board should establish and adopt conflict of interest policies regarding board members, staff, volunteers, consultants and other contractors, and adhere to these policies in all dealings. The policies should include an obligation of each board member to disclose all material facts and relationships and refrain from voting on any matter when there is a perceived conflict of interest. **FS**
15. The board should establish and sign a written code of ethics regarding board members, staff, volunteers, consultants and other contractors and adhere to the code in all dealings.

Board Operations

16. Board meetings should be held at least on a quarterly basis and regular attendance should be expected. These meetings should have a printed agenda, and meeting minutes should be recorded and distributed to the board prior to the next meeting. **FS**
17. Every two to three years, the board should review the organization's bylaws and mission statement. If deemed necessary, these should be amended to reflect organizational growth and development and the ability to respond to changing community needs. Changes to by-laws and mission statement should be submitted to proper federal and state regulatory agencies.

18. The board should ensure that the organization has a strategic plan that includes clear benchmarks and outcomes; It should be reviewed annually to include an evaluation of effectiveness and updated when needed.
19. Every year, the board should review and approve an annual budget for the organization. **FS**
20. Annually, the board should conduct a performance review of the executive director. The executive director's performance should be assessed in light of organizational accomplishments and the total compensation package should reflect his/her performance as well as comparable industry standards. **FS**
21. The board should establish an organizational succession plan to maintain daily operation during the time of a change in executive or board leadership.
22. Boards should organize committees as needed to effectively carry out their roles and responsibilities.
23. An audit and finance committee, or a similar functioning committee, should be established to oversee compliance and ensure that appropriate financial controls are in place. **FS**
24. The board of directors, led by the board chair, should annually evaluate itself through a survey to the board members and a subsequent discussion of the results with intention of improving governance practices.

HUMAN RESOURCES & PROFESSIONAL DEVELOPMENT

Effective management of human resources is essential for creating successful organization results. The board of directors is responsible for oversight of the executive director and he/she is responsible for oversight of other staff (paid or unpaid). Nonprofit organizations should exercise fair and equitable human resource and volunteer (including board members) management practices that attract and retain qualified individuals. Staff development and training provides staff and volunteers with opportunities for growth and advancement and is crucial for institutional knowledge throughout the organization. Nonprofits have an obligation to adhere to all legal employment practices and to provide a safe work environment. Nonprofit organizations should establish specific policies and practices that promote mutual cooperation to advance the organization's mission.

Employee Policies

1. A nonprofit must comply with all local, state and federal employment laws in hiring and employing staff. **FS, IRS, MS**
2. A nonprofit should establish confidentiality policies with accompanying forms signed by staff and volunteers.
3. If the organization employs staff, the board should annually review and document its overall compensation structure, using industry-based surveys of salaries and benefits and input from the executive director. The board should establish policies on employee benefits, which may include: medical insurance; retirement plans; sick leave, maternity/paternity leave, vacation, and other paid time off; and other benefits as may be appropriate.
4. A nonprofit should adopt a set of specific, but separate, policies and procedures for staff and volunteers.
5. A nonprofit must establish a clear conflict of interest policy for employees that includes: disclosure of relationships, partiality, and interested party transactions

6. A nonprofit must adopt a whistleblower policy for staff and volunteers with protections for reports of violations of organizational policy or applicable laws. **FS, IRS**
7. Nonprofits should establish a code of ethics for staff and volunteers to sign and adhere to in all dealings.
8. A nonprofit should establish both employee and volunteer records retention policies and procedures that are consistent with applicable laws and best industry practices. **FS, IRS**

Recruitment and Retention

9. A nonprofit should employ (paid or unpaid) skilled individuals who are suitable for the positions they occupy and committed to the goals, values and objectives of the organization.
10. A nonprofit should conduct background checks and, when appropriate, drug tests on employees and volunteers (including individual board members) performed at time of hire and throughout employment or service as necessary.
11. A nonprofit should be open to input from staff regarding the organization's activities and results on a continual basis.
12. A nonprofit organization should provide staff and volunteers with clear, current job descriptions and the tools they need to produce quality work. **FS**
13. A nonprofit should have a system in place for the succession of employees and volunteers, most notably for the executive director and key board leadership.
14. A nonprofit organization should establish a new employee orientation and training as appropriate to the position.

Diversity and Inclusion

15. A nonprofit and its board should establish and abide by a broad and encompassing equal opportunity employment policy. **FS**
16. A nonprofit should strive toward employing personnel and volunteers who reflect the diversity of the community, as appropriate for program effectiveness.
17. A nonprofit should continually work to provide a safe and healthy work environment. **FS**

Training and Development

18. The staff of a nonprofit should receive written annual performance evaluations.
19. A nonprofit should support the education and development of personnel and should provide them with opportunities for growth and advancement through adequate ongoing training related to their position.

FINANCIAL MANAGEMENT

Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal financial 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.

Functions

1. Annually, the board should review and approve an annual budget for the organization. **FS**
2. A nonprofit should generate accurate and relevant financial reports which include the comparison of actual to budgeted revenue and expense, and which identify and explain any significant variances. These reports should be provided to the board of directors for regular review and discussion, at least on a quarterly basis. Regardless of board review, financial reports should be generated monthly and bank statements should be reconciled upon receipt.
3. Nonprofit organizations should provide financial literacy training to its board of directors at least annually.
4. To the extent possible given the size of the organization, a nonprofit should ensure separation of specific financial duties as a check and balance system. **FS**
5. A nonprofit should adopt written financial procedures to monitor major expenses, including payroll, travel, investments, expense accounts, contracts, consultants, and leases. **FS**
6. A nonprofit board should strictly prohibit financial loans to board members, the executive director, and other staff.
7. A nonprofit should plan for a balanced budget. In the event that a budget deficit occurs, the board should be made aware of this expected outcome and should participate fully in determining a plan to restore the budget to a balanced state.
8. A nonprofit should consider bequests, planned gifts and pledges when determining the annual budget and should not include these dollars in budgeting for program expenditures until the gift is actualized, unless appropriate uncollectible pledges or pledge losses are also budgeted.
9. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility of fiscal sponsorship for another organization.
10. All nonprofits should have adequate bookkeeping systems that appropriately identify revenues and expenses allocated by: programs, fundraising and general operating. Rule of thumb is to spend at least 65% of budget on programs. **FS**

Compliance

11. A nonprofit must comply with all financial regulations, such as withholding and payment of federal, state, and Social Security taxes, and the management and use of restricted funds. **FS, IRS, MS**
12. A nonprofit board should have at least two members that clearly understand how to read and interpret financial statements that support their fiduciary responsibilities.
13. Nonprofit organizations should complete the annual IRS reports (Form 990, 990EZ and appropriate schedules) per IRS requirements in a timely, accurate manner and include specific information about the relevant year's activities and outcomes. The organization's board should be provided with a copy of the completed IRS Form 990. **FS, IRS**
14. If a nonprofit's contributed income for the previous fiscal year exceeds the Mississippi Secretary of State's revenue threshold, it must ensure that its financial statements are audited, certified, and prepared in accordance with sound accounting practices by a certified public accountant. **MS**

15. Nonprofit organizations should complete the annual Unified Registration Statement (URS) and Financial Statement (FS) as required by the Mississippi Secretary of State in a timely, accurate manner. **FS, MS**
16. When an audit is conducted, a nonprofit should ensure that the auditor has an understanding of and experience in nonprofit financial systems and reporting prior to engaging the auditor or auditing firm.
17. After an audit is completed, the auditor should meet with the organization's board separately from management staff, and the board audit committee should approve the financial report.
18. Nonprofit organizations should ensure that their auditor is conducting professional auditing services and avoid using its auditor for services that could jeopardize objectivity such as bookkeeping, check writing, statement reconciliation or other non-attest services.
19. A nonprofit should have a system in place that allows individuals to report financial misconduct, without consequence for doing so. **FS, IRS**
20. A nonprofit has a responsibility to ensure that its assets are used solely for the benefit of the organization and not for personal or other gains. It should have a clear conflict of interest policy that is annually signed by board members and actively enforced by the officers of the board.

Sustainability

21. 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. **MS**
22. Nonprofits should establish a formal risk management plan, which is monitored by a dedicated committee of the board.
23. A nonprofit should periodically assess its risks and purchase appropriate levels of insurance to responsibly manage its liabilities.

TRANSPARENCY & ACCOUNTABILITY

As entities that serve the public, nonprofits have an ethical obligation to conduct their activities with accountability and transparency. Nonprofits should engage in ongoing efforts to openly convey information to the public about their missions, activities 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.

Accountability

1. A nonprofit must comply with all legal and other required reporting procedures, of the IRS and the Mississippi Secretary of State Charities Division, regarding its performance. **FS, IRS, MS**
2. A nonprofit has a financial obligation to use its resources responsibly for the purpose of serving the public interest. The organization's board should approve its financial audits, while the executive director and treasurer should confirm the accuracy and completeness of the audit, required IRS Form 990 and Mississippi Secretary of State's URS with their signatures. **FS, IRS, MS**

3. A nonprofit has a responsibility to establish and regularly determine clear performance measurements and to share those results with the public.
4. A nonprofit has a responsibility to adhere to its sector's established, professional standards.

Accessibility, Public Input, and Public Information

5. Constituents of nonprofits should be provided with ongoing opportunities to interact with the board and management regarding the organization's activities.
6. In serving the public trust, a nonprofit should produce an annual report that contains information regarding activities and performance. The annual report should include:
 - a. An explanation of the organization's mission, activities, and results;
 - b. An explanation of how individuals can access programs/services;
 - c. overview of financial information including actual statements, graphics or specific numbers from the Statement of Activities, Statement of Financial Position, and function expense allocation.
 - d. A list of board members, management staff, supporters and donors (donor list is optional).
7. A nonprofit is encouraged to hold public meetings to gather and distribute information about approaches, goals and effectiveness in carrying out its mission.
8. To promote overall accountability within the sector, a nonprofit should openly communicate with other nonprofits to share and gather information on lessons learned and best practices and to discuss possible collaborative efforts.

Fairness and Equity Practices

9. A nonprofit should meet all federal requirements for public disclosure. These state that a nonprofit must provide the last three years' information returns (Form 990 or its variants, 990-T and the original Form 1023), as follows:
 - a. Public access must be provided immediately on request by allowing inspection of the required IRS documents at the organization's office or offices; **FS, IRS**
 - b. Copies of the documents must be provided within 30 days upon written request; **FS, IRS**
 - c. Nonprofits that make their materials widely available through publication on the Internet do not have to provide copies and can refer inquiries to the appropriate website; **FS, IRS**
 - d. If the IRS determines that the organization is being subjected to a harassment campaign, copies do not have to be provided; **FS, IRS**
 - e. 501(c)(3) organizations are not required to publicly disclose the list of names and addresses of individual contributors and may block out that section of Form 990 and on other materials for public viewing; **FS, IRS**
 - f. Any fees associated with printing costs or information gathering to provide the required IRS forms can be charged and should be disclosed at the time of the request. **FS, IRS**
10. A nonprofit should establish written policies that ensure confidentiality and non-discriminatory service to its constituents.
11. Information regarding fees and services should be readily available to the public. These fees should be determined fairly, and the organization should consider the consequences of denial of services due to an individual's inability to pay.
12. A nonprofit organization must have a written, mandatory document retention and periodic destruction policy, which includes guidelines for handling electronic files, back-up procedures, archiving of documents and regular checkups of the reliability of the system. **FS, IRS**

For current Mississippi Charitable Organization laws please visit:

<http://www.sos.state.ms.us/regenf/charities/regcharsol.asp>

FUNDRAISING

Nonprofit organizations play an important societal role in serving as the vehicle through which philanthropy occurs. Nonprofit organizations provide the opportunities for individuals and institutions to contribute to a cause of their choosing. Nonprofit organizations have an ethical obligation to ensure proper handling 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.

Policies and Practices

1. A nonprofit board and executive director should be familiar with the Association of Fundraising Professionals' Code of Ethical Principles and Standards of Professional Conduct. (<http://www.afpnet.org>).
2. A nonprofit's board should assume overall responsibility for raising sufficient funds to meet the organization's budgeted objectives. **FS**
3. Compensation for fundraising personnel and contractors should not be based on a percentage of funds raised or other commission based formulas.
4. To maintain the public's trust, a nonprofit should seek only the funds it needs to reasonably work toward achieving its mission over the foreseeable future. When appropriate, endowment and reserve funds should be established to advance the organization's mission.
5. To avoid "mission drift," a nonprofit should raise funds for programs related to its mission and not develop programs simply to meet funder's guidelines or seek non-mission related funds. **FS**
6. A nonprofit who utilizes the help of a professional fundraiser or solicitor must ensure that each individual or company is registered through the Mississippi Secretary of State's office. **FS, MS**
7. A nonprofit should adopt clear policies regarding the acceptance of personal gifts from any constituent to staff member, board member, or volunteer. **FS**
8. A nonprofit should be familiar with the legal distinctions between staff, consultants and contract employees, ensuring the ability to adequately manage and supervise fundraising activity conducted by contractual service providers. **FS, IRS**
9. 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 capacity of its mission.

Accountability to Donors

10. A nonprofit must comply with all federal, state, and local laws concerning fundraising practices. **FS, IRS, MS**
11. A nonprofit must use funds consistent with donor intent and comply with specific conditions placed upon donations. Endowed or permanently restricted funds must be used for the purpose(s) the donor intended. **FS**
12. A nonprofit should work toward achieving a balance between publicly recognizing charitable contributions and maintaining donor confidentiality when needed. Nonprofits must not trade, share, or sell donor names with others unless given permission by the donor.

Communications with Donors

13. Fundraising communications should include clear, accurate, honest information about the organization, its activities, and the intended use of funds. **FS**
14. A nonprofit should regularly communicate with donors regarding its activities and should make such information available through multiple outlets (Websites, emails, newsletters, press releases, and advertising). **FS**
15. A nonprofit should write thank you notes to all donors for all gifts received and follow IRS requirements for recognizing donations, which should identify the value of any goods or services exchanged as part of the donation. **FS, IRS**

PUBLIC POLICY & ADVOCACY

Nonprofit organizations play a central role in the democratic process by providing a means for individuals to deliberate on public policies and decision that affect them. To the extent possible, nonprofit organizations should engage constituents in public policy and advocacy activities as a means to fulfilling their missions and promoting community interests. Open communication and consultation between policy makers and constituents of nonprofit organizations contribute to well-informed policies and the effective implementation of them.

Advocacy and Public Policy

1. A nonprofit should advocate publicly on behalf of its mission and organizational values.
2. A nonprofit should advocate for the sector with regard to tax exemption and nonprofit status.
3. A nonprofit should participate in public policy formation. **FS**
4. A nonprofit should continuously maintain a sound understanding of the current policy environment and the resulting consequences for the public.
5. 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 advocacy and public policy work.
6. A nonprofit should develop advocacy and lobbying strategies to address key public policy issues facing the sector and their constituents. Constituent input, involvement and needs should inform how these strategies are shaped.
7. A nonprofit should encourage the civic engagement of its members, allies and constituents by supporting voter registration efforts, sponsorship of candidate and/or issue forums and citizen input into shaping public policy through advocacy and lobbying. Nonprofits must be aware of certain restrictions on lobbying imposed by the IRS. (For further clarification, see www.clpi.org). **FS, IRS**
8. Information provided to policy makers, the media and the general public becomes a matter of public record. Therefore, a nonprofit must 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.
9. A nonprofit should make an effort to join together with other nonprofits around policy issues to strengthen their impact on public policy.

Lobbying

10. A nonprofit that engages in lobbying activities that are subject to state and federal reporting requirements must file accurate and timely reports on its lobbying activities with the IRS and Mississippi Secretary of State. **FS, IRS, MS**
11. A nonprofit board should consider both the 501(h) election (IRS Form 1087) and the “insubstantial part” rule related to financial expenditures for lobbying to determine which reporting mechanism is most appropriate for the organization. **FS, IRS**

Political Campaign Activity

12. A nonprofit engaged in promoting public participation must understand that all 501(c)(3) organizations are prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Nonprofits should understand that certain voter education activities (including presenting public forums and publishing voter education guides) and voter registration drives are permissible as long as they are conducted in a non-partisan manner and does not endorse a candidate or political party. **FS**

INFORMATION & TECHNOLOGY

A successful nonprofit manages information with regard to confidentiality, safety, accuracy, integrity, reliability, cost effectiveness, and legal compliance. It incorporates appropriate technology into its work to improve its efficiency, efficacy, and accuracy in the achievement of its mission, and has information systems in place that provide timely, accurate, and relevant information. A successful nonprofit maintains two copies of all system data – one copy onsite for day-to-day working purposes, and one copy offsite for data recovery. Both copies should be updated on a regular basis.

In this document, “information systems” are defined as the computers, communications facilities, computer and communications networks, and data and information that may be recorded, processed, stored, shared, transmitted, or retrieved by them, including programs, specifications, and procedures for their operation, use, and maintenance. The definition also includes the organized collections of hardware, software, supplies, policies, procedures, and people which store, process, and provide access to information.

Technology, Planning & Policies

1. A successful nonprofit will have a written technology plan that is integrated into its short and long term strategic and operational plans and should include sufficient resources to train its board staff, and volunteers in its use.
2. A nonprofit organization should develop communication networking strategies that are appropriate to the size of the organization.
3. A successful nonprofit shall have technology use and security policies that address staff use, and that describe 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.
4. In the organization’s Policy and Procedure Manual a nonprofit should include information regarding the use of organizational technology and its equipment, including a lending policy, a “private use” policy, and other topics. **FS**
5. A successful nonprofit shall maintain and implement a disaster recovery plan that includes 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. **FS**
6. A nonprofit should understand and abide by all Internet, computer and electronic communications laws as they apply to the organization.

Hardware/Software

7. To maintain controls and reduce risk, a nonprofit should keep an up-to-date inventory of the hardware and software used, document hardware configuration and mission critical software information and track installed software applications in case a crash does occur, so reinstallation is possible.
8. When feasible, 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. A nonprofit should consider the long-term cost of renting equipment (such as for a conference) vs. purchasing equipment. This may include items such as overhead projectors, power point projectors, laptop computers, sound system with a microphone, etc. **FS**
9. In addition to phones, fax, and computers with Internet access, minimum technology recommendations include: off-site electronic back-up; virus protection (updated regularly); firewall; website (updated regularly); and e-mail accounts for appropriate staff. **FS**
10. A nonprofit should track software licenses to guarantee that all software in use is owned by the organization and to update your software when new releases or security patches become available. **FS**
11. For successful communications, nonprofits should maintain an up-to-date database of important information, especially if using the data for mailings and budget funds to upgrade using the U. S. Postal Service or other database cleanup service at least twice a year (preferably four times per year).

Personnel

12. 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).
13. A nonprofit organization should train staff how to protect their computers from viruses and other malware (The term "malware" is short for malicious software designed to cause damage to a single computer, computer network or server. Examples are viruses, worms, spyware, etc.) and use technology efficiently to support the work of the organization. **FS**
14. Budget time and funds for an expanding staff's equipment needs, changing technology, and regular maintenance and upgrades to all equipment and peripherals. A nonprofit should monitor ongoing technological developments that have the potential to impact its information systems or mission, and budget for the purchase of new/upgraded technology.

STRATEGIC ALLIANCES

The effectiveness of nonprofit organizations depends on successful relationships with other community institutions. Regardless of form – partnership, collaboration, cooperation or coordination – these relationships, or strategic alliances, can 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 partner with other organizations to strengthen their capability to achieve desired results. Nonprofits should initiate and promote cooperation and coordination between a variety of entities to avoid unnecessary duplication of services to maximize the resources available to the communities they serve.

Strategy for Creating Connections

1. 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 constituents and others. **FS**
2. When appropriate, a nonprofit should foster relationships with similar organizations and state, regional and national associations to support advancement of its mission.
3. A nonprofit should work to establish mutual understanding among government, nonprofit and for-profit sectors. **FS**
4. When appropriate, larger nonprofits should assist smaller nonprofits through alliances and resource sharing.

Assessment/Decision Making

5. Decisions regarding alliances should be in line with the strategic goals of an organization and should positively impact the brand and image of the organization. A nonprofit should carefully consider how entering into strategic alliances will affect all parties involved. **FS**
6. On a regular basis, a nonprofit board should conduct an environmental scan to identify organizations providing similar services and to assess its relationship to those organizations
7. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility of fiscal sponsorship for another organization. (Note: the IRS views fiscal agency differently from fiscal sponsorship: get legal advice before proceeding.)

Coordination

8. A nonprofit should stay aware of and coordinate with other organizations providing similar or complementary services in their communities. **FS**
9. A nonprofit should cooperate and collaborate with agencies and other community organizations to ensure effective use of charitable resources and to advance its mission.

PROGRAMMATIC EFFECTIVENESS AND EVALUATION

As entities that serve the public, nonprofit organizations have an obligation to demonstrate their value to the public good. The public has a stake in nonprofit performance and is entitled to information regarding an organization's results. Nonprofits should regularly measure their performance against a clear set of desired outcomes and should share such 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.

Components and Uses of Evaluation

1. A nonprofit should have defined, ongoing and sustainable procedures in place for gathering information and evaluating its programs, procedures, and outcomes in relation to its mission.
2. A nonprofit should regularly monitor the satisfaction of service participants and constituents and provide a grievance procedure to address complaints.
3. A nonprofit's outcomes measurement strategies should inform the operational plan and should be used to evaluate organizational effectiveness. **FS**
4. A nonprofit's evaluation results should be used to strengthen and improve nonprofit organizations, programs and activities by incorporating evaluation findings into strategic planning processes.
5. A nonprofit's performance measures should be realistic, specific, measurable and appropriate to the size and scope of the organization and its constituents.
 - a. Measurement should include information on satisfaction, activities, results, and community input thus, evaluations should be comprehensive enough to account for both program process and program effects. **FS**
 - b. Measurements may include both qualitative and quantitative data. **FS**
 - c. Measurement should include data on efficiency and effectiveness. **FS**
 - d. Evaluations should be conducted on a regular enough and appropriate basis to gauge progress toward program and organizational performance benchmarks. **FS**
6. Information that is collected from persons served must be kept confidential unless permission is given for release. **FS**
7. A nonprofit's evaluation should be ongoing and should include input from a wide variety of stakeholders including staff, board, funders, community members, etc.
8. Evaluation results should be communicated to a broad range of constituents including staff, board, clients, foundations, public, etc.
9. A nonprofit should share relevant lessons learned with other nonprofits and funding sources.
10. A nonprofit organization should utilize external evaluators when appropriate and feasible. These evaluators should follow the National Guiding Principles for Evaluators set forth by the American Evaluation Association. (<http://www.eval.org/publications/guidingprinciples.asp>)

APPENDIX

Glossary of Terms

- **501(c)(3):** Designation by the Internal Revenue Service that recognizes nonprofit and philanthropic organizations as exempt from federal income taxes and eligible to receive tax-deductible contributions. Tax-exempt organizations must comply with specific federal regulations in order to retain their status. This 501(c)(3) designation allows contributors (individuals and corporate entities) to claim a tax deduction on donations of cash, goods and services to the exempt organization. A tax-exempt organization is not required to pay income tax except on income unrelated to the organization's exempt purpose.
- **Advocacy:** Publicly supporting or recommending a particular cause or policy (not a candidate or political party) that impacts your constituents.
- **Board/Board of Directors:** the elected, governing body of a nonprofit organization. The board of directors of a nonprofit has fiduciary responsibility for the mission, vision, monies and programs of a nonprofit organization. (Trustees is another term for board of directors)
- **CEO:** The Chief Executive Officer is the administrative head of the organization, hired by the board to manage the resources and programs of a nonprofit. This position is most frequently called executive director, but sometimes called president (when there is a designated "board chair" position)
- **Code of Ethics:** A general outline of broad ethical principles, unique to an individual or organization that usually includes values, behavior and overall standards of conduct.
- **Conflict of Interest:** A situation when someone has competing professional or personal interests that make it difficult to fulfill his/her duties fairly and objectively on behalf of an organization.
- **Diversity:** Having a wide range of characteristics of either individuals or groups within your organization including, but not limited to ethnicity, race, age, physical and cognitive abilities, family status, lifestyle preferences, socioeconomic status, religious and spiritual values and geographic location.
- **Electioneering:** To actively work for or publicly endorse a specific candidate or a political party. (501(c)(3) nonprofits are prohibited from endorsing political candidates or parties.)
- **Executive Director:** The highest level paid staff person who has over-all responsibility for managing the programs, personnel, and finances of a tax-exempt organization.
- **Director:** This term is most often used to title an individual member on the board of directors. It is sometimes used interchangeably for the term executive director.
- **Fiduciary:** The responsibility of holding something of value in trust for another. The board of directors of a nonprofit has fiduciary responsibility for the mission, vision, monies and programs of a nonprofit organization and to maintain the public trust
- **IRS:** This is the acronym for the Internal Revenue Service, the taxing body of the federal government.
- **Lobbying:** An attempt to influence government action or decision-making through written or oral communications. Nonprofits are allowed to lobby within certain legal and regulatory guidelines..
- **Mission:** A single, enduring, compelling statement that clearly suggests, in succinct terms the purpose, values, priorities and reason a nonprofit was founded and why it exists today.
- **Nonprofit/philanthropy (or nonprofit agency):** common term for organizations established to serve the public good. Usually they secure the 501(c)(3) tax-exempt status from the Internal Revenue Service and incorporate as a nonprofit/charity corporation with the Mississippi Secretary of State.

- **Operational Plan:** The short term (one to two years) goals, objectives and tasks that describe the strategies a nonprofit will use to fulfill its strategic plan.
- **Risk:** Essentially, risk is the chance of something going wrong and the danger that injury, damage or loss will occur as a result of a decision or activity. (Example: The risk of fire or an auto accident.)
- **Risk Management:** This is putting into place policies, practices and procedures to reduce the level of risk or the likelihood that injury, damage or loss will occur.
- **Secretary of State (Charities Division):** This is the official State regulatory body for charities and nonprofit in the state of Mississippi. Charity registrations and compliance issues are supervised by this office.
- **Strategic Plan:** A long term (three to five years) plan that identifies and attempts to answer three questions using information gathered from stakeholders both internally and externally to the organization: Where are we now? Where do we want to be? How will we get there?
- **Tax-Exempt:** Nonprofits are considered exempt from paying federal (and state) income taxes on year-end surpluses, except for unrelated business income. Nonprofits in Mississippi are not exempt from paying sales tax on certain purchases unless specifically given the exemption by the state tax commission.
- **Trustees:** The board of directors is also called “trustees” of the organization, meaning that both the public trust and financial trust are the responsibility of the board.

History

About the Mississippi Center for Nonprofits

Founded in 1992, the Mississippi Center for Nonprofits celebrates 15 years of service to the state as it launches the Mississippi Principles and Practices for Nonprofit Management Excellence initiative.

The Mississippi Center for Nonprofits is a 501(c)(3) nonprofit membership organization whose mission—to strengthen the capacity of nonprofit organizations to serve the people and communities of Mississippi—is fulfilled through ever-changing workshops, seminars, gatherings, programs, services and other initiatives that bring together the nonprofit community to share ideas, learn new skills and take collective action to build a stronger foundation of service for the future. Mississippi Center for Nonprofits, 700 North Street, Suite 201, Jackson, MS 39202 can be contacted by telephone 601.968.0061, 662.844.6444 or 228.575.9148 or email us at mcn@msnonprofits.org.

For additional information about the Center, go to www.msnonprofits.org.

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Mississippi Center for Nonprofits
Principles & Practices
For Nonprofit Management Excellence

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Endorsers of the Principles and Practices

We are proud to support strong, effective nonprofit organizations because they are critical to the quality of life in our state. We endorse the Principles and Practices for Nonprofit Management Excellence and encourage Mississippi nonprofit agencies to utilize these standards to strengthen their organizations, their programs of service, and the communities they serve:

- Community Foundation of Greater Jackson
- CREATE Foundation
- Doyce H. Deas Foundation
- Delta Regional Authority
- DREAM, Inc.
- East Mississippi Community Foundation
- Entergy Mississippi, Inc.
- Foundation for the Mid-South
- Gulf Coast Community Foundation
- His Way, Inc.
- Elizabeth Irby Foundation
- Mississippi Commission for Volunteer Service
- United Way of the Capital Area
- United Way of East Mississippi & West Alabama
- United Way of Greater Monroe County
- United Way of South Mississippi
- United Way of Northeast Mississippi
- United Way of North Central Mississippi
- Walker Foundation

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