



**School's Out™
Washington**

POLICIES AND PROCEDURES NONPROFIT TOOLKIT

Date: May 20, 2023
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Collaborative Partners Initiative

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Nonprofit Policies and Procedures

It is important for a nonprofit organization to have policies and procedures in place to manage their organization and ensure compliance. Policies and procedures guide decision making, streamline operations and provide a roadmap for how to accomplish day to day activities. In this toolkit we share several areas where policies and procedures provide foundational infrastructure for a nonprofit organization.

PLANNING

One of the basic and first essentials needed in any organization is strategic planning. Strategic planning helps to guide the organization and will inform overall decision making. Having a strategic plan can help your organization focus to move your mission and vision forward while also helping you evaluate your program's strengths and needs. The strategic planning process is dynamic and should involve various organizational representatives including the Board of Directors, Executive Director (ED) Leadership, Staff, and Key Volunteers. Planning can provide your organization with a roadmap to achieve your goals for your clients, internal and external stakeholders, and the community you serve.

GOVERNANCE

Governance in a nonprofit shows your organization how to administer its different facets. The key branches of governance in your organization are the Board Members, Executive Director, staff and volunteers, as well as any existing advisory boards. Each team member plays an important role in carrying out your organization's mission.

Governance in a nonprofit organization is informed by the bylaws. The bylaws contain information on the essential operations of a nonprofit as well as board member requirements, holding elections, organizing meetings, quorum requirements, and membership structure.

BOARD MEMBERS

- Board Members are elected by the organization. These positions typically include a President/Chair to preside over the Board meetings, a secretary who records meeting minutes, a Treasurer who oversees finances, and one or more Vice Presidents/Vice Chairs. Board members provide oversight to the organization and the Board is instrumental in driving the nonprofit's mission and vision forward. The organization recruits new board members, conducts orientation, and assesses their performance as needed. Board Members typically meet monthly to review the organization's finances, programs, and the health of the organization. The performance and compensation of the Executive Director is overseen by the board of directors.

EXECUTIVE DIRECTOR

- This person is the leader of the organization, with the board's guidance, the Executive Director carries out the plans and mission of the organization. Generally, all other staff and volunteers report to the Executive Director. The Executive Director is responsible for oversight of the operations of the organization, financial management, board development, human resources and staff development, diversity and inclusion and all other policies of the organization.

STAFF AND VOLUNTEERS

- Staff and Volunteers are the front lines of the nonprofit, whether they are W-2 employees, independent contractors, or unpaid volunteers. These individuals receive directions for work and report to either the assigned managers or any other staff designated by the Executive Director.

FUND DEVELOPMENT

Every nonprofit needs to have a wide variety of revenue sources to help their organization become self-sustaining, build capacity, improve, and expand community serving programs. It is best to utilize practices that are donor-centered strategies that are sustainable for your organization for many years to come.

STEPS IN CREATING THE FUND DEVELOPMENT PLAN

- Gather information on your past fundraising efforts
- Analyze your past efforts and fundraising strategies
- Evaluate the current internal and external environment
- Create a Fund Development Team (including donors)
- Set strategic and financial goals
- Select activities to achieve goals and assign responsibilities
- Develop an implementation timeline

EVALUATION

Your organization should be continually engaging in organizational evaluation to ensure the work you are doing is fulfilling your mission while also creating sustainability for your organization. It is key to have an evaluation system in place to measure progress in achieving results that includes outcome evaluation, formal evaluation, identifying ways the organization can improve.

- Your organization must ensure that you are utilizing evaluation processes that provide both qualitatively and quantitatively, on programs and projects related to your mission.

- These procedures should address
 - Programmatic efficiency and effectiveness.
 - outcomes for program participants.
 - Financial cost of programs.
 - Should include input from program participants
 - Should monitor the satisfaction of participants.
 - Evaluation also provides data for analysis.

FINANCIAL MANAGEMENT

A nonprofit organization must employ financial management practices that build stability and sustainability. Any financial management that your organization employs impacts your community, programs, staff, and individuals by delivering services.

- Some questions to consider are:
 - Does the organization have a consistent and reliable funding stream to carry out its work?
 - How diversified is your revenue stream?
 - How much does the organization have in liabilities?
 - Do you spend money in a way that reflects their stated mission and values?

FINANCIAL SYSTEM

Financial management is an important part of a nonprofit organization. When planning or developing policies and procedures, consider the following:

- **Budgets**
Having a clear outlined budget is crucial to providing the financial information that supports all your long term and short-term plans. Budgets must be effective and realistic, using as much correct and current information on income and expenses. These budgets can be broken down by the whole organization, department, team, programs, projects, or other defined objective. A template for an organizational operating budget is provided as part of Appendix A
- **Costs**
Financial decisions rely on good information. It is essential that your organizations have a clear picture of the real staff costs and the real costs of programs in order to make decisions. Costs include anything that relates to your facility, physical structure, utilities, medical, taxes, unemployment and other costs of running your organization. If you know your costs, then you will be able to assess your fundraising needs, contract terms, and program expansion or modification.

- **Transparency**

Your financial system must be transparent and sustainable. This is dependent on whether

- Financial data is a good, basic measure of an organization's health, and it is readily available to all concerned parties.
- Do you know how much money is coming in versus going out, and if the money is being spent on top priorities.
- Do you publish an annual report that outlines your finances, showing your financial strengths.
- Is your report published on your website.
- Can your organization provide an operating budget.
- Do you have purchasing policies

COMMUNICATIONS

It is best for your organization to have a communication strategy to include your goal of not only informing and promoting your organization, but to ensure you can sustain or increase support from donors, volunteers, and fund-raisers.

- Your goals should include:
 - Establishing organization's branding and overall message.
 - Raising awareness of the organization and/or cause.
 - Engaging with larger audiences.

ESTABLISH A TARGET AUDIENCE

- To establish a target audience, nonprofits must first identify the community and people they hope to serve and assist. Identifying a target market can be accomplished by:
 - Researching various blogs that are related to the nonprofit organization.
 - Observing the audiences who engage with online content related to the organization or a similar cause.
 - Studying how the audience is finding existing ads or online content from competing organizations.
- Utilize Multiple Social Media Networks
 - Facebook and Twitter are the most popular of the social networks, however, communication through a larger number of channels is a great way to broaden the scope of the audience. Other channels include Linked In, Pinterest, Google+, Tumblr, Instagram, Flickr, and others.

ADMINISTRATION/OPERATIONS

HUMAN RESOURCES

Your organization must have a strong human resource department with the appropriate policies in place. Having strong administrative policies can improve onboarding and retention, help you get talented staff, have a productive, positive work atmosphere which can be attractive to high-performing volunteers and employees.

Your Human Resources performs key functions in

- Hiring – See Appendix for Guidelines
 - Onboarding- See Appendix for guidelines
 - Hiring Independent Contractors – See Appendix for guidance
 - Compensation of Staff
 - Payroll and taxes
 - Recruitment and training
 - Volunteer management
- Policy implementation
 - Implementing policies is key for the Human Resource department. While Policies are always changing, below are key policy areas that are very important:
 - Employee conduct
 - Anti-harassment and discrimination
 - Timekeeping and pay
 - Health and Safety
 - Diversity and Inclusion.

Hiring Resources

When considering whether to hire staff or use independent contractors, many nonprofit organizations need more information to inform their decision making. We have included general guidance [Instructions when hiring New Employees or working with Independent Contractors](#) and two onboarding checklists to refer to [Onboarding Checklist for all Employees](#) and [Onboarding Checklist for all Independent Contractors](#)

DOCUMENTATION AND STORAGE

Files must be kept for all employees. Employers may choose to keep files digitally or physically, so long as the files are secure and can only be accessed by authorized personnel. Employee files must contain all employee records including job descriptions, offer letters, performance reviews, physical time sheets (in the case of hourly employees), background check results, I-9 documentation, and so on. A good practice is to separate

all files into confidential and non-confidential sections. Confidential sections should contain sensitive information such as background check results, payroll information, and I-9 documents, and access to confidential files should be restricted. Non-confidential files can contain training documents, performance reviews, and other pieces of non-sensitive information. Non-confidential files should still be kept in a secure location but can be accessed by managers or other leaders as needed. Finally, for HIPAA compliance, any medical documentation, including benefits information, must be kept in a separate and secure file.

If you are using a digital file-keeping system, you must ensure that access to an employee's file is still restricted in the manner described above. Human Resources Information Systems (HRIS) are designed with record-keeping compliance in mind, and the employer should consider investing in an HRIS system at some point as part of their business development.

The following steps will be useful in this process:

- Make a list of all your documents.
- Look at existing policies, and review your own files, to ensure you include all of the document types you have.
- Decide which of these documents are legal, historical, or administrative? For example, if they are legal documents that must be maintained to comply with laws and regulations (e.g., IRS tax forms).
- For each document decide the number of years, to store them.
- Consider your available storage space when working on this part of the policy.
- Certain legal documents may have time requirements set by governmental authorities, so be sure to meet those requirements.
- Do you have a storage area for archiving hard copy files?
- How much memory do your computers have, and what resources are available for archiving electronic documents?
- What would you need to do to ensure you have adequate storage space in the future?

APPENDIX A

NONPROFIT INFRASTRUCTURE CHECKLIST

This checklist covers several areas for a nonprofit organization. A PDF version of this checklist can be found [here](#).

How to use this tool

Use this tool to conduct an internal review of organizational compliance and systems. For each topic there are specific performance indicators with choices, including “Met,” “Needs Work,” “Not Applicable/Don’t Know.” After reading each indicator, place a check mark under the appropriate choice as to how your nonprofit performs to that indicator. Space is provided for notes.

PLANNING					
Rating	Indicator	Met	Needs Work	N/A	Notes
E	Clear written mission/vision statement that reflects purpose, values and community served and services provided				
E	Strategic Plan developed and adopted by Board and Staff to achieve organizational mission				
E	A written system plan to monitor progress towards this strategic plan				
E	Annual Operations Plan developed and adopted by Board and Staff (including system to monitor progress)				
E	A written operational plan monitor progress towards this strategic plan				
GOVERNANCE					
E	By-laws, current				
E	Written Conflict of Interest Policy and Confidentiality Policy applicable to all Board and Staff and appropriate volunteers; disclosure statement to be signed annually				
E	Board serves with/without compensation				
E	Board membership reflects diversity of constituents served				
E	Risk evaluation and management systems in place				
FUND DEVELOPMENT					
E	Fund Development Plan				

E	Annual Fund Development Plan developed and adopted by Board and Staff (including system to monitor progress)				
E	Grants management system, including: <input type="checkbox"/> Copy of every proposal, acceptance/denial, evaluation, related correspondence <input type="checkbox"/> Reporting requirements, due dates				
E	Reasonable fundraising costs over time; charitable contributions from fundraising activities				
E	Accurate and truthful solicitation and promotional materials				
E	Written gift acceptance and recognition policy				
R	Uphold restrictions placed on contributions by donors, including anonymity				
R	Solicitations are free from undue influence or pressure				

EVALUATION

E	Evaluation system in place to measure progress in achieving results (to include outcome evaluation, formal evaluation, identifying ways the organization can improve)				
E	Stakeholders are included in evaluation				
E	Results are reported to appropriate constituencies				

FINANCIAL MANAGEMENT

E	Board approves budget, including review of the percentages spent on programs, administration, and fundraising				
E	Timely, accurate financial reports provided to Board, including: <input type="checkbox"/> Income and expense statement for each program <input type="checkbox"/> Balance sheet for organization as a whole <input type="checkbox"/> Comparison of actual to budget year-to-date				
E	<input type="checkbox"/> Income and expense statement for each program <input type="checkbox"/> Balance sheet for organization as a whole <input type="checkbox"/> Comparison of actual to budget year-to-date				
E	Board approved financial policies governing: <input type="checkbox"/> Accounting policies and systems <input type="checkbox"/> Internal control procedures <input type="checkbox"/> Purchasing practices				

E	Be aware of and comply with all applicable federal, state and local laws. These may include, but are not limited to, laws and regulations related to fundraising, licensing, financial accountability, human resources, lobbying, and taxation.				
E	Insurance coverage commensurate with the risks associated with operations (property, general liability, professional liability, directors' and officers' liability, fidelity bond, vehicle, etc.)				
E	Written Advocacy Policy				
COMMUNICATIONS					
E	Communications and Marketing Plan				
ADMINISTRATION/OTHER					
E	Do you have a HR policy in place				
E	Records storage, retention and destruction policy (for personnel, finance, and other)				
E	Electronic data backup and storage system in place				

Onboarding Checklist for all Employees

Employee name: _____

Date of hire: _____

Job title: _____

- W-4 form (or W-9 for contractors)
- I-9 Employment Eligibility Verification form.
- State Tax Withholding form.
- Direct Deposit form.
- E-Verify system: This is not a form, but a way to verify employee eligibility in the U.S.

Department: _____

- Personnel file created.
- Job Description
- Reference checks completed and filed.
- Background check results received and reviewed.
- Physical exam results received and reviewed (If applicable)
- Drug test received and reviewed.
- I-9 documents reviewed.
- Payroll notice completed.
- Orientation documents filed.
- Employee Information entered in payroll and WA ESD
- State new hire reporting completed.

Received from Employee:

- Application form.
- Authorizations for background check, physical & drug screen.
- Signed Offer letter.
- I-9 form.
- Federal tax withholding form.
- State tax withholding form.
- Direct deposit form.
- Employee policy manual acknowledgement.
- Employee handbook acknowledgement.
- Key/security policies acknowledgement.
- Employee personal information sheet and emergency contact form.
- Benefit enrollment forms.

Received by: _____ Date: _____

HR Manager: _____

Hiring New Employees and Working with Independent Contractors

1. Before Starting Work: Determine if you are hiring an Employee or a Contractor. Take the [test to determine Employee or Contractor](#) or check Hiring Guidelines Booklet. The IRS also provides some additional guidance to [help distinguish between an employee and an independent contractor](#). The Washington State Department of Labor and Industries also has a [resource guide](#) available.

New Employees Required Forms

- Employee Onboarding Checklist
- [Completed W-4](#)
- [List of Acceptable Identification for I-9](#)
- [I-9 Instructions](#)
- [Report New Hires to ESD](#)

New Independent Contractor Required Forms

- Independent Onboarding Checklist
- [Completed W-9](#)
- Direct Deposit Setup Form

2. Ensure all employees have access to and read the Employee Handbook that covers the following:

- Code of conduct.
- Recruitment policy.
- Termination policy.
- Working hours and overtime policy.
- Attendance and remote work policy.
- Performance evaluation and promotion policy.
- Health and safety policy.
- Expense policy.

3. Ensure all employees have reviewed and understood Company Benefits available to them.

4. Ensure all employees have received Employees' rights under [Washington employment laws](#), including regarding wages/salaries, and workplace safety.

Onboarding Checklist for all Independent Contractors

Contractor Name: _____

Date of Service: _____

Point of Contact: _____

Contractor Agreement

OR

Memorandum of Understanding

W-9 Form

Direct deposit form

Received by: _____ Date: _____

HR Manager: _____

Nonprofit Operating Budget Template

Company Name Operating Budget January - December 20XX

	<u>Total</u>	
Revenue		
40000 Contributions and Donations		
40100 Individual		
40200 Foundation		
40300 Corporate/Business		
40400 Faith-based Organizations		
40500 Workplace and Matching		
Total 40000 Contributions and Donations	\$	0.00
41000 Government Grants		
41100 Federal		
41200 State		
41300 Local		
Total 41000 Government Grants	\$	0.00
42000 Program Revenue		
42100 Consulting Fees		
Total 42000 Program Revenue	\$	0.00
44000 Special Events Income		
44100 Tickets/Registration/Admissions		
44400 Event Sponsorships		
Total 44000 Special Events Income	\$	0.00
46000 Other Types of Income		
46100 Interest & Dividend		
Total 46000 Other Types of Income	\$	0.00
Total Revenue	\$	0.00
Gross Profit	\$	0.00
Expenditures		
61000 Personnel Expenses		
61100 Salaries & Wages		
61200 Payroll Taxes		
61300 Medical Benefits		
61400 Retirement Benefits		
61600 Other Benefits		
61700 Professional Development		
Total 61000 Personnel Expenses	\$	0.00
62000 Professional Services		
62200 Accounting		
62400 Consulting		

62500 IT Services		
62600 Web & Graphic		
62800 Translation Services		
62900 Other Contract Services		
Total 62000 Professional Services	\$	0.00
63000 Office Expenses		
63100 Office Supplies		
63200 Postage & Shipping		
63300 Printing & Copying		
63400 Communications		
Total 63000 Office Expenses	\$	0.00
64000 Special Events Costs		
64100 Venue		
64200 Food and Entertainment		
64300 Other Event Expenses		
Total 64000 Special Events Costs	\$	0.00
65000 Information Technology		
65200 Software & Cloud Services		
Total 65000 Information Technology	\$	0.00
67000 Travel and Meetings		
67300 Meals & Entertainment		
67400 Other Travel		
Total 67000 Travel and Meetings	\$	0.00
68000 Insurance		
70000 General Expenses		
70100 Licenses & Fees		
70300 Membership Fees		
70400 Business Taxes		
70500 Bank & Merchant Fees		
Total 70000 General Expenses	\$	0.00
75000 Miscellaneous Expenses		0.00
Total Expenditures	\$	0.00
Net Operating Revenue	\$	0.00
Net Revenue	\$	0.00