

## Mapping a Course

Nonprofit organizations play an important role in the community. They span a spectrum of mission areas, values, history, services and stakeholders; however, they share a common thread: improving the quality of life in the community. As a result of their investment in the community, nonprofits enjoy special status such as tax incentives.

In return, nonprofits garner a special trust that depends upon public confidence and support. They must exemplify certain fundamental values – honesty, integrity, responsibility and accountability – to sustain that confidence and support.

In recent years, highly publicized scandals have raised questions about accountability and organizational governance. Who is responsible? The board? The executive director? Who is safeguarding the organization’s future?

The Nonprofit Management Center of the Permian Basin, in conjunction with local funding groups, has developed the *Accountability Indicators for Nonprofit Organizations*. The Indicators serve as a roadmap to help nonprofits be more accountable in the areas of mission and program, governance, fundraising and development, employment practices, financial management, public accountability, volunteer management, and technology. Each of these eight areas is further divided into more detailed performance benchmarks that enable a nonprofit to strengthen its operations.

## Accountability Indicators for Nonprofit Organizations

### Mission and Program

*Nonprofits should have a clearly articulated mission along with programs that effectively and efficiently support that mission.*

1. The organization has a board-approved mission statement aligned with public need and reviewed every three years.
2. The board of directors, program volunteers and staff know and understand the mission statement.
3. The board’s policy decisions are reflective of mission.
5. The board performs an annual review of organizational effectiveness.
  - a. The organization remains committed to and focused on fulfilling mission.
  - b. The organization evaluates the impact and quality of programs.

### Governance

*As the governing body of a nonprofit, board members are elected volunteer directors that are committed to the mission of the organization. The board is responsible for determining the mission, establishing policies, providing financial oversight, and compliance with local, state and federal laws, insuring adequate financial resources, and assuring public accountability.*

1. The organization is governed by a board of volunteers with members demonstrating support of the mission.
2. Board members bring leadership to the organizational mission by supporting operational needs through identified skills such as fundraising, marketing, finance, and business.
3. Board composition reflects the diversity of the community served.
4. The board nomination process considers community demography.
5. Board members monitor and govern organizational performance by engaging in planning, financial oversight, and assessment of compliance with laws, regulations, and applicable industry standards.
6. The board delineates member expectations including meeting attendance, committee participation and other types of volunteer service.
7. The board periodically evaluates adherence to member expectations individually and collectively.
8. The board meets regularly and no less than quarterly.

9. The board has a written policy requiring disclosure of potential conflicts of interest of board, staff and volunteers.
10. The board excludes any member(s) with conflicts of interest from decision making and business transactions.
11. The organization maintains records pertinent to governance including minutes, policies and appropriate governing documents.

### Fundraising and Development

*Each board member is responsible for ensuring the financial resources of the nonprofit organization that they represent. In addition to making a personal financial contribution, helshe is expected to help solicit contributions.*

1. Each board member makes a personal financial contribution within his/her means.
2. The board establishes expectations in regard to member contributions and periodically evaluates adherence.
3. Board members participate in soliciting contributions.
4. The organization respects the confidentiality of donors.
5. Board members respect the proprietary nature of the organization’s fundraising information.
6. The organization conforms to the *Code of Ethical Principles and Standards of Professional Practice*, as adopted and amended by the Association of Fundraising Professionals.

### Employment Practices

*A nonprofit’s relationship with its employees and volunteers is fundamental to achieving the mission of the organization. The board is responsible for establishing clear expectations of staff and volunteers with an effective performance evaluation process.*

1. The organization’s employees have access to a written, board-approved human resources policy and procedures manual.
2. Policies are practiced and enforced in the workplace.
3. The organization provides job descriptions and annual evaluations.
4. The board conducts an annual evaluation of the chief executive.

### Financial Management

*Nonprofits must comply with an array of legal and regulatory requirements. An organization should keep accurate financial records, conduct periodic reviews of compliance, and reduce the exposure to risks.*

1. The organization maintains complete and accurate financial records.
2. The organization complies with generally-accepted accounting principles and reporting requirements of the IRS.
3. The board performs an annual review of the Form 990 tax return before it is filed.
4. Financial reports prepared by the organization at a quarterly minimum include:
  - a. statement of financial position,
  - b. statement of activities,
  - c. budget variance,
  - d. statement of revenues/expenditures with budget variance.
5. The board assesses the need for an independent compilation, review or audit to verify the accuracy of financials.
6. The board has adopted and practices accounting policies and procedures, which include:
  - a. cash disbursements - appropriate payees
  - b. cash receipts i.e., petty cash, handling of small cash payments, accounts receivable and large cash deposits, etc.
  - c. accounts with financial institutions
  - d. inventory control - product
  - e. inventory control - fixed assets, consumable products
  - f. payroll - reporting of hours, large operations, multiple locations
  - g. purchasing - valid vendors, timely payments
  - h. properly documented authorization of transactions
  - i. prudent investment of assets
  - j. document retention & destruction policy
  - k. whistleblower policy
  - l. backup of company data/records
7. The board monitors and minimizes the exposure to risk for board, employees, volunteers and clientele.
8. The board annually assesses insurance coverage.
9. The board approves an annual budget and monitors variances.
10. The board monitors investments and cash position.



*Nonprofit organizations are dependent upon community support for the services they provide. To maintain the public's trust, the organization should report to the community about its mission, programs, financial condition, compliance with local, federal and state regulations, and leadership.*

- Nonprofit organizations depend on volunteers to assist with day-to-day operations. It is important for organizations to have defined job descriptions for volunteers that ensure the mission is being addressed.*

- Technology is a vital part of business. It is incumbent upon the organization to maintain appropriate technology to assure effective program delivery as well as protect crucial data and information.*

- # The Nonprofit Management Center of the Permian Basin

