

# Principles & Practices for Nonprofit Excellence

ORGANIZATIONAL SELF-ASSESSMENT TOOL



## How Is Your Organization Doing?

Use this Self-Assessment Worksheet to rate your organization using the following scale:

- 2 - Yes, we are in great shape on this practice,
- 1 - Well...we are working on it, or
- 0 - No, this does not exist in our organization.

### Role In Society

Role Recognition	RATING
1) Nonprofits should recognize that their role in society differs from that of government and business. Nonprofits have a special ability to organize the energy and ideas of a community to achieve together what individuals cannot achieve alone. By tapping into the values, interests and relationships of individuals, nonprofits can mobilize their supporters and the larger community to realize their vision. Unlike government entities, nonprofits can focus on very local, specific or new matters and need not wait for community wide consensus to begin their work. Nonprofit organizations emerge from expressed community needs and are not restricted to the marketplace priorities and constraints that define success for the for-profit sector.	
2) Nonprofits should provide opportunities for individuals to engage in activities and conversations that widen their circle of connections beyond family and friends to other community members.	
3) Nonprofits should encourage the development of emerging leaders and provide opportunities for individuals and the community as a whole to sharpen and strengthen leadership skills.	
4) Nonprofits should work to build trust between communities and to bridge relationships among diverse constituencies.	
Public Accountability	RATING
5) Nonprofits must publicly account for their finances, governance, disclosure practices and programs.	
6) Nonprofits should be inclusive in their activities — remaining open to new participants and ideas as well as external input — and conduct them in ways that are transparent, flexible and responsive to change.	
7) Nonprofits should identify their constituents — the people who benefit from, are affected by, are keys to the success of, and/or share the values implicit in their work.	
8) Nonprofits should conduct their activities with procedural fairness in decision making for constituents and the community.	
9) Nonprofits should provide opportunities for people from the community to hold other public or private institutions accountable.	

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### Governance

Board Composition	RATING
1) Nonprofit boards should be comprised of individual volunteers who are committed to representing the best interests of the organization and its mission.	
2) To ensure broad public participation, vitality and diversity, board members should serve for no more than nine consecutive years.	
3) To allow for sufficient deliberation and diversity of perspectives, nonprofit boards should consist of no fewer than seven individuals.	
4) Nonprofit boards must have a chair and a treasurer, and should have a vice-chair and secretary. No one should occupy more than one officer position in the same organization at the same time.	
5) If staff membership on the board is deemed necessary, inclusion should be limited to the executive director, who should not serve as the chair, vice-chair, secretary or treasurer.	
Board Characteristics and Qualifications	RATING
6) Nonprofits should strive towards board representation that reflects the organization's constituents.	
7) Board members should be committed to the mission and dedicated to the success of the nonprofit.	
8) Board members should actively develop an understanding of the mission, ongoing activities, finances and operating environment of the organization.	
9) Board members should value diversity and understand the role of participation and inclusion in the future success of the organization's work.	
10) To demonstrate their personal stake in the organization, board members are expected to volunteer time, raise external funds and make financial contributions to the nonprofit.	

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### Governance (continued)

Board Responsibilities	RATING
11) Board members should be provided with a clear job description, orientation to the work of the organization and ongoing training, and should fully understand their roles and responsibilities to the organization and to the public.	
12) Board members should understand the content and significance of the organization's financial statements and audit.	
13) Boards should hold quarterly meetings (at a minimum) and expect regular attendance of members.	
14) Board members are responsible for keeping suitably informed so they can actively participate in decision making.	
15) Boards should organize committees as needed to effectively structure their roles and responsibilities.	
16) Nonprofit board members are responsible to make decisions in the interest of the organization and no other party, including themselves. Each board should have a conflict of interest policy that includes a disclosure form, which is signed by board members annually, and procedures for managing conflicts of interest and handling situations in which public and private interests intersect.	
17) Nonprofit board members are responsible for upholding the organization's mission and using its resources wisely and in accordance with the law.	
18) Board members are responsible for fully understanding their legal and fiduciary obligations and carrying out their responsibilities in the following areas: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Policy approval</li> <li>• Annual review of the executive director's performance</li> <li>• Setting of compensation structure</li> <li>• Fundraising</li> <li>• Financial management</li> </ul>	
19) 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 an eye toward improving governance practices.	
20) Board members should receive no monetary compensation for their board duties other than reimbursement for board-related expenses.	

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### Planning

Mission	RATING
1) A nonprofit should have a written mission statement which is sufficiently specific to effectively guide the overall aims and activities of the organization.	
2) The mission statement should be linked to the values of the organization and its vision for the future.	
3) As part of ongoing planning, and with input provided by the organization's constituents, the mission statement should be evaluated regularly by the board with regard to its relationship to the organization's current activities.	
Community Input	RATING
4) In planning for their activities, nonprofit organizations should be responsive to community needs and should solicit input from a variety of sources such as board, staff and community members and other constituents.	
5) Nonprofits should consult with their counterparts to determine the need for services and the best use of community resources.	
Strategic Plan	RATING
6) The board of directors should establish a rigorous process of setting clearly defined goals and objectives to accomplish the organization's mission. This plan should be reviewed annually and a new plan should be developed and adopted at least every five years.	
7) Goals and objectives should be reasonably attainable given staffing, resources, constituents and the number of people being served.	
8) A nonprofit organization should periodically conduct an environmental scan that includes an evaluation of strengths, weaknesses, opportunities and threats as part of strategic planning.	
Operational Plan	RATING
9) A nonprofit organization should annually create a written operational plan which specifies implementation of its activities.	
10) The operational plan should include goals and objectives that are set by the organization in order to positively benefit individuals and society.	
11) The operational plan should clearly define specific program, financial, personnel and evaluation activities; delineate timelines; and assign specific responsibility for implementation.	
12) The operational plan should be a useful management tool for evaluating activities and outcomes and should be tied to an approved budget.	

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### Transparency and Accountability

Accountability	RATING
1) A nonprofit must comply with all legally required reporting procedures.	
2) A nonprofit has an obligation to responsibly use its resources toward its mission and to benefit the community. The organization's board should approve its financial audits, while the executive director and principal financial manager should attest to the audits.	
3) A nonprofit has a responsibility to establish and regularly determine clear performance measurements and to share those results with the public.	
4) Each nonprofit has a responsibility to adhere to the established industry standards that apply to its particular activity area.	
Accessibility	RATING
5) Boards of directors should provide information to the public that describes their decisions and decision-making processes. They should make meeting agendas and descriptions of significant decisions available to those who request them.	
6) A nonprofit should provide its constituents with ongoing opportunities to interact with the board and management regarding its activities.	
Public Information	RATING
7) A nonprofit should produce an annual report (either printed or Web-based) that contains information on its activities and performance. The annual report should include: <ul style="list-style-type: none"> <li>• An explanation of the organization's mission, activities and results;</li> <li>• An explanation of how individuals can access its programs and services;</li> <li>• Overall financial information, including income and expense statement, balance sheet and functional expense allocation; and</li> <li>• A list of board members, management staff and contributors.</li> </ul>	
8) Each nonprofit organization must also make certain data available to the public, including: <ul style="list-style-type: none"> <li>• IRS Form 990 for the previous three years, including clear statements of program service accomplishments in Part III; and</li> <li>• IRS Form 1023, Application for Recognition of Exemption.</li> </ul>	
9) A nonprofit should provide multiple means for contacting the organization to request information or provide input.	

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### Transparency and Accountability (continued)

#### Solicitation of Community Input

RATING

- 10) Nonprofit organizations are encouraged to hold public meetings to gather and distribute information about their approaches, goals and effectiveness in carrying out their missions.

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- 11) Nonprofits should openly gather and exchange information on lessons learned and best practices with other nonprofits to promote overall effectiveness and accountability within the sector.

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- 12) Nonprofits should actively work with other organizations to avoid duplication of services.

#### Fairness and Equity Practices

RATING

- 13) Information regarding fees and services should be made readily available to the public. When charging for services, nonprofits have an obligation to price equitably and to take into account the consequences of denial of services due to an individual's inability to pay.

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- 14) Nonprofit employees should have a mechanism for reporting misconduct which protects the individual making the report from any punitive repercussions.

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- 15) Nonprofits should ensure non-discriminatory service to their constituents.

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- 16) Nonprofits should ensure confidentiality to their constituents.

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### Fundraising

Accountability to Donors	RATING
1) Nonprofits must comply with all federal, state and local laws concerning fundraising practices, including registration and annual reporting with the Office of the Minnesota Attorney General.	
2) Nonprofit organizations are responsible for conducting their fundraising activities in a manner that upholds the public's trust in stewardship of contributed funds.	
3) Fundraising communications should include clear, accurate and honest information about the organization, its activities and the intended use of funds.	
4) Nonprofits must use funds consistent with donor intent and comply with specific conditions placed upon donations.	
5) Nonprofits must send a written acknowledgement 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 should also send a written acknowledgement to all donors who made contributions of \$250 or more in cash or property in the previous calendar year.	
6) Nonprofits should strive for a balance between publicly recognizing charitable contributions and maintaining donor confidentiality when requested. Nonprofits must not share, trade or sell contact information for any donor without prior permission from the donor.	
7) Nonprofits should regularly communicate with contributors regarding their activities and should make such information available through public and private media (including Web sites, emails, newsletters, press releases to major and community media outlets, and free or paid advertising).	
Policies	RATING
8) A nonprofit's board of directors has overall responsibility for raising sufficient funds to meet budgeted objectives.	
9) Nonprofits should adopt clear policies regarding the acceptance of personal gifts from any constituent to staff members, board members, and volunteers.	
10) A nonprofit has an obligation to decline funds or in-kind donations that would bring about adverse conditions for the organization or its constituents and gifts given for purposes outside the scope of its mission.	
11) Nonprofits should apply a high percentage of each dollar raised to programs and services in accordance with practices of comparable organizations, state statutes and representations made 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.	
13) A nonprofit should closely monitor any individual or organization that solicits funds on its behalf to ensure adherence to donor intent as well as accountable fundraising practices.	
14) If using contracted or professional fundraisers, nonprofits should ensure such fundraisers are registered with the Office of the Minnesota Attorney General.	

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### Financial Management

Functions	RATING
1) Individuals responsible for an organization's financial reporting should prepare and analyze consistent, timely and accurate financial reports on at least a quarterly basis.	
2) 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 should be appropriate to the size of the organization's financial and human resources.	
3) Nonprofit organizations should adopt written financial procedures to monitor major expenses, including payroll, travel, investments, expense accounts, contracts, consultants and leases.	
4) Nonprofits should periodically assess their risks and purchase appropriate levels of insurance to prudently manage their liabilities.	
5) A nonprofit's board of directors or its designees should set compensation for the organization's executive director and stay informed of compensation levels for other key personnel.	
6) A nonprofit's board should strictly prohibit financial loans to board members, the executive director and other key personnel.	
7) Board members should clearly understand how to read and interpret financial statements.	
Compliance	RATING
8) Nonprofit organizations 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.	
9) Nonprofit organizations should complete the annual IRS Form 990 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 in a convenient, timely manner. If a nonprofit's total revenues for the previous fiscal year exceed \$350,000, it must ensure that its financial statements are audited, certified and prepared in accordance with sound accounting practices.	
10) The board should designate an audit committee to hire the auditor, oversee the audit process, meet with the auditor to review the audit's content and present the audit to the full board for its review and approval.	
11) Nonprofit organizations should have systems in place to protect individuals who report financial misconduct from any negative repercussions for doing so.	

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### Financial Management (continued)

Openness and Fidelity	RATING
12) A nonprofit organization must openly communicate the annual reporting information contained in its IRS Form 990 to constituents and others who request such information.	
13) Nonprofit organizations should work diligently to avoid recurring deficits and to secure appropriate levels of funding to carry out their missions and activities.	
14) Nonprofits have a legal obligation to expend funds responsibly in compliance with conditions attached to funding.	
15) A nonprofit organization 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.	

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### Human Resources

Employment Practices	RATING
1) Nonprofits must comply with all federal, state and local employment laws when hiring and employing personnel, including withholding and payment of payroll taxes.	
2) Nonprofits should employ skilled individuals who are suitable for the positions they occupy and are committed to the goals, values and objectives of the organization.	
3) Nonprofits should strive toward employing individuals who reflect the diversity of their constituency.	
4) Nonprofits should continually work to provide a safe and healthy work environment.	
5) Nonprofit organizations should adopt a set of specific policies and procedures for managing employees and volunteers.	
6) Nonprofits should establish a clear conflict of interest policy for employees that includes disclosure of relationships, nepotism and interested party transactions.	
7) Nonprofits should adopt specific grievance procedures for personnel with protections for reports of violations of organizational policy or applicable laws.	
8) Nonprofits should have mechanisms, including succession plans, to handle transitions in leadership and other key positions.	
9) Nonprofits should conduct background checks on employees and volunteers, particularly if their positions involve working with children or vulnerable adults, performing financial duties or serving in other sensitive areas.	
Training, Development and Retention	RATING
10) Nonprofit organizations should provide personnel with clear, current job descriptions and the resources they need to produce quality work.	
11) Nonprofits should support the education and development of and opportunities for growth and advancement of personnel.	
12) Nonprofit boards have an obligation to balance internal equity with market-based and livable compensation for all employees.	
13) To the extent of their ability, nonprofits should provide personnel with adequate benefits and the opportunity to financially contribute to retirement plans.	
14) Nonprofit organizations should be open to input from personnel regarding the organization's activities and results on a continual basis.	
15) Nonprofit personnel should receive performance evaluations on at least an annual basis.	

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### Civic Engagement and Public Policy

#### Promoting Participation

RATING

- 1) When possible, nonprofits should assist their constituencies in developing skills and learning about opportunities for public and civic engagement.

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- 2) Nonprofits should promote nonpartisan efforts to encourage voting and other participation in federal, state and local policy making.

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- 3) Organizations whose constituencies are affected by government actions have an obligation to provide public forums for discussion and information about the effects of all the various policy choices.

#### Advocacy and Public Policy

RATING

- 4) Nonprofit organizations should take appropriate public positions on relevant issues while working and communicating with other organizations to inform the public about these issues.

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- 5) Nonprofits should maintain a sound understanding of the current public policy environment in their activity area and the resulting impacts on the communities they serve.

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- 6) 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 allocated to those activities.

#### Lobbying

RATING

- 7) Nonprofits that engage in lobbying activities subject to state and federal reporting requirements must file accurate and timely reports on their lobbying activities and comply with all laws governing politics and elections.

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

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- 9) Nonprofits should join together around policy issues to strengthen their impact on public policy.

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### Strategic Alliances

Strategy	RATING
1) Nonprofits should be open to new strategic alliances to achieve organizational goals and strengthen connections with constituents and others in the communities they serve.	
2) Decisions regarding strategic alliances should be consistent with the strategic goals of the participating organizations.	
Coordination	RATING
3) Nonprofits should stay aware of and coordinate with other organizations providing similar or complementary services in their communities.	
4) The work of nonprofits can exist in both cooperative and competitive environments. Having a variety of nonprofit organizations is positive and healthy for a community as it provides for a continuum of approaches, leadership opportunities, individual choices and customization at the local level.	
5) Nonprofits should work to establish communication channels, mutual understanding and natural alliances among government, nonprofit and for-profit sectors to take advantage of the total resources of the community.	
6) When possible and appropriate, larger nonprofits should assist smaller nonprofits in the community through alliances and sharing of resources and expertise.	

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### Evaluation

Responsiveness	RATING
1) Nonprofits should commit to effective and efficient delivery of services and should always strive to improve processes, programs and results.	
2) Nonprofits should have a regular system for investigating ways to improve their services, programs and internal processes in order to best serve their constituents.	
3) Nonprofit programs should take into account and respond to the experience, needs and satisfaction of the constituents they serve.	
4) Nonprofits should conduct program evaluations in ways that are culturally sensitive and appropriate for the community served.	
Measurement	RATING
5) An organization's measurement systems should be practical and useful to improve ongoing processes, activities and results.	
6) An organization's measurement systems should be used to evaluate organizational effectiveness and inform its operational plan.	
7) Performance measures should be realistic and appropriate to the size and scope of the organization and its constituents.	
8) Measurement should include information on satisfaction, activities, results and community input.	
9) Performance measures should be specific and based on evidence gathered before, during and after program development and implementation.	
10) Measurements may include both qualitative and quantitative data.	
11) Measurements should include data on efficiency and effectiveness.	
12) Nonprofit organizations should contract with other organizations or consultants to serve as external evaluators when appropriate and feasible.	
End Uses	RATING
13) Evaluation information collected from individuals must be kept confidential unless they give consent for its release.	
14) Nonprofit evaluation should be ongoing and should include input from a wide variety of constituents, service recipients and volunteers.	
15) Nonprofits should be open to hearing from and having comprehensive discussions with members of the public who may question the organization's effectiveness.	
16) Nonprofits should use evaluation results to improve programs and activities and incorporate the results into future planning.	
17) Nonprofits should communicate evaluation results to a broad range of constituents.	