

FINANCE AND OPERATIONS

Guiding Principle: Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

A. FINANCIAL BUDGETING, REPORTING, AND MONITORING

- (1) The board should annually approve the organization's budget and the organization should be operated in accordance with this budget.
- (2) The organization should periodically assess the organization's financial performance in relation to the budget. A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.
- (3) The board should annually review the percentages of the organization's resources spent on program, administration, and fundraising.
- (4) For nonprofits with annual revenue in excess of \$500,000, the annual financial statements should be subject to audit by a Certified Public Accountant. The board should hire the auditor. The full board should approve the audited financial statements and receive a copy of the management letter (if any). The board should monitor the implementation of the recommendations of the management letter, if applicable.

B. INTERNAL CONTROLS AND FINANCIAL POLICIES

- (1) Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, purchasing, and unrestricted current net assets.

C. PERSONNEL POLICIES

- (1) A nonprofit should have written board-approved personnel policies and procedures that govern the work, actions, and safety of all employees and volunteers of the organization. The policies should cover the basic elements of the relationship (e.g., working conditions, telecommuting (if applicable), employee benefits, vacation, and sick leave). The policies should address orientation to the organization, employee evaluation, supervision, hiring and firing, grievance procedures, employee growth and development, and confidentiality of employee, client, and organization records and information.

D. ADMINISTRATIVE POLICIES

- (1) A nonprofit should have written board-approved administrative policies that are periodically reviewed by the board. At a minimum, these policies should address issues such as crisis and disaster planning, information technology, communications, and social media.

E. RISK MANAGEMENT AND INSURANCE

- (1) Organizations should make every effort to manage risk and periodically assess the need for insurance coverage in light of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or Directors and Officers liability insurance coverage should be made only by the board of directors. The decision should be reflected in the minutes for the meeting at which the decision was made.