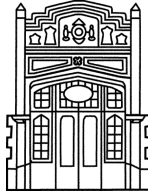


Stanislawski & Company, Inc.
A Certified Public Accounting and Business Consulting Firm

**NON-PROFIT ORGANIZATIONS
REQUIRED POLICES, PRACTICES
AND PROCEDURES**



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Non-Profit Organizations
Required Policies, Practices, and Procedures

Prepared by Stanislawski & Co., Inc.
Revised: January 13, 2011

Based on our experience with non-profit organizations, we strongly recommend that non-profit organizations have certain policies, practices and procedures in place as they are addressed on the Form 990 (Return of Organization Exempt from Income Tax). We further recommend that California non-profit organizations obtain the Guide for Charities and other publications offered through the California Attorney General's office at <http://www.ag.ca.gov/charities/publications>. Also, the National Health Council publishes a set of Standards of Excellence for Voluntary Health Agencies as an example of good operating practices. The standards cover the areas of governance, personnel policies, programs, fundraising, finance, accounting and reporting, and evaluation. Some policies may not be applicable to your organization. The Standards can be found at www.nationalhealthcouncil.org/forms/soe.pdf. Please be advised that due to constant changes in federal, state and local regulations some of the information provided below may need updating. The most current version of this Non-Profit Organizations Required Policies, Practices and Procedures can be found on our website: www.stanislawskiandcompany.com.

Please review the following suggested list of policies, practices, and procedures and check off the policies, practices, and procedures that your organization is already in compliance with. For those policies, practices, or procedures that are not currently in place, we recommend you meet with your Board of Directors and your attorney to establish those applicable policies, practices, or procedures immediately. Sample policies may be found on the internet.

This document is intended for reference only. As the information is designed solely to provide guidance to the readers, it is not intended to be a substitute for someone seeking personalized professional advice based on specific factual situations. Although we have made every reasonable effort to ensure that the information provided is accurate, Stanislawski & Company, Inc. makes no warranties, expressed or implied, on the information provided. The reader accepts the information as is and assumes all responsibility for the use of such information.

Policies -

1. Conflict of interest policy: []

Procedures to determine when a conflict of interest exists and how to enforce compliance with the conflict of interest policy. An example is available as an Appendix on Form 1023, exempt status application instructions (copy attached). It is recommended that the organization issue an annual conflict of interest questionnaire to its officers, board members, and employees to determine if any conflict of interest exists. Sample attached.

2. Whistleblower policy: []

Recommended procedures for addressing complaints from employees regarding financial improprieties or misuse of organization resources. This policy would not be applicable if there are no employees. Sample attached.

3. Document retention and destruction policy: []

Guidelines for maintaining and documenting storage and destruction of electronic and hard-copy files. The guidelines should also outline backup procedures and archiving of documents. Sample attached. We recommend always working with an IT specialist when dealing with electronic files.

4. Joint venture policy (if applicable): []

Procedures to evaluate relationships with taxable entities and safeguard the exempt status of the organization.

5. Gift acceptance policy: []

- (a) Provides for substantiation of cash contributions in excess of \$250.
- (b) Addresses Form 8282 (Donee Information Return) filing avoidance situations. Disposition of charitable deduction property within 3 years after date the original donee received the property.
- (c) Provides for monitoring/compliance under state charitable solicitation laws.

(d) Non-standard gift acceptance policy. Review of any unusual gifts.

6. Charity care policy (if applicable): []

Policy to provide free or discounted care to medically indigent. It is recommended that the policy not include a per-patient limit on care funded out of reserve for indigent patients.

7. Written debt collection policy (if applicable): []

Provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance.

8. Policy regarding chapters and affiliates (if applicable): []

Ensure activities and operations of affiliates are consistent with those of the parent organization, if applicable.

9. Investment policy (if applicable): []

(a) Should require that the organization clearly understands liquidity risk/constraints.

(b) Should stipulate that organizations are aware of counterparty risk.

(c) Should require that the organization clearly understands when their funds are segregated/commingled.

(d) Should require review of underlying collateral.

(e) Should require expanded due diligence and oversight of investment managers.

(f) Review for unrelated business income.

Practices and procedures –

1. Form 990 Review: []

A written document which sets forth the procedures by which the Board of Directors will review the Form 990 before it is filed.

2. Reasonable Compensation Procedures (if applicable): []

Procedures to determine if reasonable compensation is paid to the Board of Directors, Officers, key employees, and other highly compensated employees should include the following:

- (a) Approval by Board.
- (b) Board undertakes comparability analysis before approval.
- (c) Entire process is contemporaneously documented.

We recommend that a binder be kept containing all necessary information to support that the total compensation paid is considered reasonable. This binder should provide enough documentation to shift the burden of proof to the IRS to claim that the compensation being paid is unreasonable.

3. Public Disclosure: []

Written procedures for making required documents publicly and readily available. Documents which should be available for public disclosures include:

- (a) Federal Form 1023 – Tax Exemption Application.
- (b) IRS Determination Letter.
- (c) Organizational documents.
 - (i) Articles of incorporation.
 - (ii) By-Laws.
- (d) Federal Form 990.
- (e) The following documents are NOT required to be disclosed:
 - (i) Conflict of interest policy.
 - (ii) Financial statements.

For California – Charities with gross revenue of \$2 million or more are required to have independent audits performed and must appoint an audit committee; some charities must make the audited financial statements available for public inspection.

(iii) Federal Form 990 including:

- Schedule B – Schedule of Contributors.
- Signer’s Social Security Number.
- Schedule A – Excess Contributors.
- Names of scholarship recipients.
- Specific foreign countries listed on Schedule F.
- Form 3115 – Change in Accounting Method.
- Personal addresses of insiders.

(iv) Federal Form 990-T.

4. Written agreements/contracts with professional fundraisers (if applicable). []

It is highly recommended that the organization be prepared to provide donors and general public with information regarding fundraising cost and practices.

5. Procedures regarding grantee’s eligibility to receive grants. If applicable, organization should document selection criteria used to award grants or assistance (if applicable). []

6. Documentation of Board meetings. []

7. Expense reimbursement policy: []

(a) Require receipts (substantiation) for any expenses to be reimbursed.

(b) Document business purpose of any reimbursable expense.

(c) Internal controls - segregation of duties should be in place. For example, the person requesting the reimbursement should not be the same person that approves the request. Also, it is highly recommended that a separate person writes/signs the checks.

8. Conservation easement procedures (if applicable). []

9. Policy regarding tax-exempt bond compliance (if applicable). []

10. Lobbying Policy (if applicable). []

11. Fundraising Raffles (if applicable): []

- (a) Must be an “eligible” non profit organization under California Penal Code Section 320.5(c). The organization must also be exempt from taxation under the Revenue and Taxation Code and has been qualified to conduct business in California for at least one year prior to conducting a raffle.
- (b) If the above requirements are met, the organization must prepare the Application for Registration (State of California Form CT-NRP-1 or other applicable forms) and submit their registration fee.
- (c) Once approved by the Registry of Charitable Trust and provided a raffle permit number, the organization may conduct raffles to up to the expiration date issued on the permit.
- (d) Once the raffle is complete, the organization must file a Nonprofit Raffle Report (State of California Form CT-NRP-2, or other applicable forms) for each raffle event.
- (e) 90% of the raffle proceeds must be used towards the organization’s exempt purpose. Violations of this requirement may result in criminal and civil action.

Sample: Basic Conflict of Interest Disclosure Form and Questionnaire

Date: _____

Name: _____

Position (director/officer/employee/volunteer/trustee/board member):

1. **Conflict of Interest Defined.** In this policy, a person with a conflict of interest is referred to as an “interested person.” For purposes of this policy, the following circumstances shall be deemed to create a Conflict of Interest:
 - a. A director, officer, employee or volunteer, including a board member (or family member of any of the foregoing) is a party to a contract, or involved in a transaction with [Name of Nonprofit] for goods or services.
 - b. A director, officer, employee or volunteer, (or a family member of any of the foregoing) has a material financial interest in a transaction between [Name of Nonprofit] and an entity in which the director, officer, employee or volunteer, or a family member of the foregoing, is a director, officer, agent, partner, associate, employee, trustee, personal representative, receiver, guardian, custodian, or other legal representative.
 - c. A director, officer, employee or volunteer, (or a family member of the foregoing) is engaged in some capacity or has a material financial interest in a business or enterprise that competes with [Name of Nonprofit].

Other situations may create the *appearance of a conflict*, or present a *duality of interests* in connection with a person who has influence over the activities or finances of the nonprofit. All such circumstances should be disclosed to the board or staff, as appropriate, and a decision made as to what course of action the organization or individuals should take so that the best interests of the nonprofit are not compromised by the personal interests of stakeholders in the nonprofit.

Gifts, Gratuities and Entertainment. Accepting gifts, entertainment or other favors from individuals or entities can also result in a conflict or duality of interest when the party providing the gift/entertainment/favor does so under circumstances where it might be inferred that such action was intended to influence or possibly would influence the interested person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of [Name of Nonprofit].

Annual Questionnaire:

- 1) Have you received a copy of the conflicts of interest policy? [YES] [NO]
- 2) Have you read and do you understand the policy? [YES] [NO]
- 3) Do you agree to comply with the policy? [YES] [NO]
- 4) Do you understand that the organization is charitable and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes? [YES] [NO]
- 5) Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between [Name of Nonprofit] and your personal interests, financial or otherwise:

_____ I have no conflict of interest to report

_____ I have the following conflict of interest to report (please specify other nonprofit and for-profit boards you (and your spouse) sit on, any for-profit businesses for which you or an immediate family member are an officer or director, or a majority shareholder, and the name of your employer and any businesses you or a family member own):

a. _____

b. _____

c. _____

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Policy of Conflict of Interest of [Name of Nonprofit].

Signature: _____

Date: _____

DISCLAIMER: This Model Whistleblower Policy for Nonprofits is merely one example and not meant to be all inclusive or a substitute for actual legal advice. We recommend that you consult with counsel to be certain that you have met all of the statutory and regulatory requirements of such a policy.

Model Whistleblower Policy for Nonprofits
Board Café – By Thomas Silk – December 23, 2008

Strengthened protection for whistleblowers is one of only two provisions of Sarbanes-Oxley that are applicable to nonprofits. Nationally recognized nonprofit attorney Tom Silk wrote this Model Whistleblower Policy for [CompassPoint Nonprofit Services](#) to use and to make available on pro bono for all nonprofits.

Board resolution: The board of directors approves the inclusion of the following statement in the Employee Handbook, and directs the Chief Executive Officer to ensure that it is given to and acknowledged by all employees. In addition, the Chief Executive Officer will ensure that whistleblower protection notification is posted in the workplace(s) as required by state law.

Notes: The Model Whistleblower Policy extends beyond the law by encouraging reporting of law violations as well as prohibiting retaliation. Whistleblower Posters can be downloaded from each state.

Policy: If any employee reasonably believes that some policy, practice, or activity of NAME OF ORGANIZATION is in violation of law, a written complaint may be filed by that employee with the Chief Executive Officer.

It is the intent of _____ to adhere to all laws and regulations that apply to the organization, and the underlying purpose of this Policy is to support the organization's goal of legal compliance. The support of all employees is necessary to achieving compliance with various laws and regulations. An employee is protected from retaliation only if the employee brings the alleged unlawful activity, policy, or practice to the attention of _____ and provides _____ with a reasonable opportunity to investigate and correct the alleged unlawful activity. The protection described below is only available to employees that comply with this requirement.

_____ will not retaliate against an employee who, in good faith, has made a protest or raised a complaint against some practice of _____, or of another individual or entity with whom _____ had a business relationship, on the basis of a reasonable belief that the practice is in violation of law or a clear mandate of public policy.

_____ will not retaliate against an employee who discloses or threatens to disclose to a supervisor or a public body any activity, policy, or practice of _____ that the employee reasonably believes is in violation of a law, or a rule, or regulation mandated pursuant to law or is in violation of a clear mandate or public policy concerning health, safety, welfare, or protection of the environment.

My signature below indicates my receipt and understanding of this Policy. I also verify that I have been provided with an opportunity to ask questions about the Policy.

Employee Signature

Date

DISCLAIMER: This is a Sample Document Retention Policy. The sample policy may not be appropriate for every exempt organization. Your organization should draft a policy with your legal counsel as the information provided is not meant to be all inclusive or a substitute for legal advice.

DOCUMENT RETENTION POLICY [NAME OF ORGANIZATION]

ARTICLE I

PURPOSE

The purposes of this document retention policy are for [Name of Organization] (the "Organization") to enhance compliance with the Sarbanes-Oxley Act and to promote the proper treatment of corporate records of the Organization.

ARTICLE II

POLICY

Section 1. General Guidelines. Records should not be kept if they are no longer needed for the operation of the business or required by law. Unnecessary records should be eliminated from the files. The cost of maintaining records is an expense which can grow unreasonably if good housekeeping is not performed. A mass of records also makes it more difficult to find pertinent records. From time to time, the Organization may establish retention or destruction policies or schedules for specific categories of records in order to ensure legal compliance, and also to accomplish other objectives, such as preserving intellectual property and cost management. Several categories of documents that warrant special consideration are identified below. While minimum retention periods are established, the retention of the documents identified below and of documents not included in the identified categories should be determined primarily by the application of the general guidelines affecting document retention, as well as the exception for litigation relevant documents and any other pertinent factors.

Section 2. Exception for Litigation Relevant Documents. The Organization expects all officers, directors, and employees to comply fully with any published records retention or destruction policies and schedules, provided that all officers, directors, and employees should note the following general exception to any stated destruction schedule: If you believe, or the Organization informs you, that Organization records are relevant to litigation, or potential litigation (i.e., a dispute that could result in litigation), then you must preserve those records until it is determined that the records are no longer needed. All permitted document destruction shall be halted if the organization is being investigated by a governmental law enforcement agency, and routine destruction shall not be resumed without the written approval of legal counsel or the Chief Executive Officer. That exception supersedes any previously or subsequently established destruction schedule for those records.

Section 3. Minimum Retention Periods for Specific Categories.

(a) Organizational Documents. Organizational records include the Organization's articles of incorporation, by-laws and IRS Form 1023, Application for Exemption. Organizational records should be retained permanently. IRS regulations require that the Form 1023 be available for public inspection upon request.

(b) Tax Records.

- (i) Records include, but may not be limited to, documents concerning payroll, expenses, proof of contributions made by donors, accounting procedures, and other documents concerning the Organization's revenues. Tax records should be retained for at least seven years from the date of filing the applicable return.
- (ii) Tax Returns and worksheets, revenue agents' reports, and other documents relating to determination of tax liability should be retained permanently.

(c) Employment Records/Personnel Records. State and federal statutes require the Organization to keep certain recruitment, employment and personnel information. The Organization should also keep personnel files that reflect performance reviews and any complaints brought against the Organization or individual employees under applicable state and federal statutes. The Organization should also keep in the employee's personnel file all final memoranda and correspondence reflecting performance reviews and actions taken by or against personnel. Employment applications should be retained for three years. Retirement and pension records should be kept permanently. Other employment and personnel records should be retained for seven years.

(d) Board and Board Committee Materials. Meeting minutes should be retained permanently in the Organization's minute book. A clean copy of all other Board and Board Committee materials should be kept for no less than three years by the Organization.

(e) Press Releases/Public Filings. The Organization should retain permanent copies of all press releases and publicly filed documents under the theory that the Organization should have its own copy to test the accuracy of any document a member of the public can theoretically produce against the Organization.

(f) Legal Files. Legal counsel should be consulted to determine the retention period of particular documents, but legal documents should generally be maintained for a period of ten years.

(g) Marketing and Sales Documents. The Organization should keep final copies of marketing and sales documents for the same period of time it keeps other corporate files, generally three years. An exception to the three-year policy may be sales invoices, contracts, leases, licenses, and other legal documentation. These documents should be kept for at least three years beyond the life of the agreement.

(h) Development/Intellectual Property and Trade Secrets. Development documents are often subject to intellectual property protection in their final form (e.g., patents and copyrights). The documents detailing the development process are often also of value to the Organization and are protected as a trade secret where the Organization:

- (i) derives independent economic value from the secrecy of the information; and
- (ii) has taken affirmative steps to keep the information confidential. The Organization should keep all documents designated as containing trade secret information for at least the life of the trade secret.

(i) Contracts. Final, execution copies of all contracts entered into by the Organization should be retained. The Organization should retain copies of the final contracts for at least three years beyond the life of the agreement, and longer in the case of publicly filed contracts.

(j) Correspondence. Unless correspondence falls under another category listed elsewhere in this policy, correspondence should generally be saved for two years.

(k) Banking and Accounting. Accounts payable ledgers and schedules should be kept for seven years. Bank reconciliations, bank statements, deposit slips and checks (unless for important payments and purchases) should be kept for three years. Any inventories of products, materials, and supplies and any invoices should be kept for seven years.

(l) Insurance. Expired insurance policies, insurance records, accident reports, claims, etc. should be kept permanently.

(m) Audit Records. External audit reports should be kept permanently. Internal audit reports should be kept for three years.

Section 4. Electronic Mail. E-mail that needs to be saved should be either:

- (i) printed in hard copy and kept in the appropriate file; or
- (ii) downloaded to a computer file and kept electronically or on disk as a separate file.

The retention period depends upon the subject matter of the e-mail, as covered elsewhere in this policy.

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Instructions for Form 1023 - Application for Recognition of Exemption Under Section 501(c) (3) of the Internal Revenue Code (Revised June 2006)

Appendix A: Sample Conflict of Interest Policy

Note: Items marked *Hospital insert – for hospitals that complete Schedule C* are intended to be adopted by hospitals.

Article I

Purpose:

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II

Definitions:

1. Interested Person –

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

[Hospital Insert – for hospitals that complete Schedule C

If a person is an interested person with respect to any entity in the health care system of which the organization is a part, he or she is an interested person with respect to all entities in the health care system.]

2. Financial Interest –

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III

Procedures:

1. Duty to Disclose -

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists -

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest -

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy –

a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings:

The minutes of the governing board and all committees with board delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V

Compensation:

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

[Hospital Insert – for hospitals that complete Schedule C

- d. Physicians who receive compensation from the Organization, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.]

Article VI

Annual Statements:

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII

Periodic Reviews:

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII

Use of Outside Experts:

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.