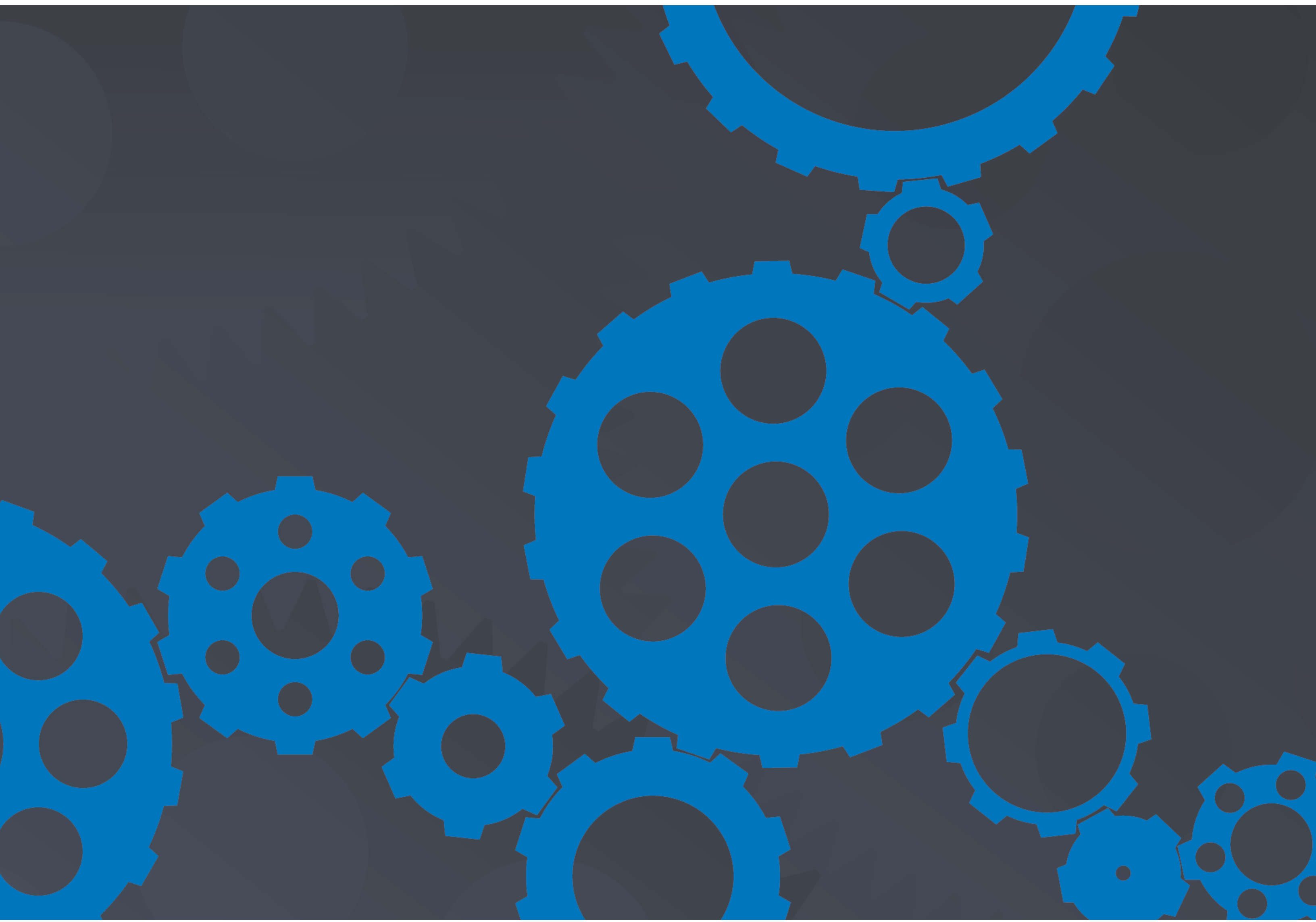
NONPROFIT OPERATIONS TOOLKIT



Nonprofit Operations Toolkit

Welcome to the Nonprofit Operations Toolkit! I created this practical toolkit to help established nonprofits run more effectively and save money by implementing important operational procedures.

So in developing this kit, I compiled resources and tips that I use and follow in managing the day-to-day operations of my own nonprofit.

The toolkit is broken into eight key operational areas critical to running the day-to-day operations of any nonprofit organization.

These key operational areas are:

1. **Legal**
2. **Human Resources**
3. **Accounting/Financial Management**
4. **Fundraising/Development**
5. **Board of Directors/Governance**
6. **Technology**
7. **Planning**
8. **Training**

Also included is a Bonus Section titled: **How to Improve Your Nonprofit Operations in Under Two Months & 10 Nonprofit Operations Success Steps**.

Following these steps will give you the ability to spend less time on operations and spend more time focusing your organization's programmatic activities to successfully achieve your mission.

Sincerely,

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Nonprofit Operations Toolkit

1. Legal

Nonprofits can benefit greatly from legal advice and council and potentially prevent expensive law suits or having to pay unnecessary fees. Working with attorneys on a regular basis could potentially save an organization money in the long run.

Getting Legal Help and Training

Bar Associations are a great place for nonprofits to receive free legal advice and training. There are pro-bono resources and free classes available for nonprofits through many local Bar Associations. In addition, some Law Firms provide free legal workshops for nonprofit organizations as well. It is important to use legal assistance when creating or revising an organizational Personnel Manual.

A free legal guide titled, "Legal Issues for Small Business and Nonprofit Agencies" is available through Southern California Edison http://www.sce.com/DoingBusiness/ecobizdevelopment/DocumentLibrary/. The legal guide highlights important legal issues that nonprofit should be aware of. Another helpful legal resource is California attorney, Gene Tagaki's Nonprofit Law Blog http://www.nonprofitlawblog.com.

Insurance

Nonprofit organizations should have insurance to protect themselves from liability. The most common types of insurance for nonprofits are Liability Insurance and Directors and Officers Insurance. Also, a nonprofit doing any type of consulting work should also carry Errors and Omissions Insurance. If your nonprofit already has insurance make sure that your policies are up to date.

Here is a more detailed explanation of each type of insurance.

Liability Insurance: Provides protection for an organization in case there are injuries or damages to people while in the office. General liability insurance should also include a non-hired automobile coverage, which covers any employee or volunteer of the organization while they are renting a car. In addition, organizations can request specific forms to add its special event location to its liability insurance. Many special event venues require organizations to insure their location for the specific event.

Directors and Officers Insurance: Provides protection for directors and officers of a company against personal liability if there is negligent action or performance.

Errors and Omissions Insurance: Provides protection for damages caused by errors or omissions when conducting professional services (consulting).

2. Human Resources (HR)

Human Resource Management is a critical component of any nonprofit. Many sites on the web provide HR suggestions for hiring, firing, maintaining employment records, and employment laws. Action Without Borders also known as Idealist.org recently launched the Nonprofit Human Resource Management Center http://www.idealist.org/hrp/index.html. Another general HR resource center on the web is http://www.hr.com.

Some HR sites have sample employment forms available for purchase. In addition, personnel attorneys provide sample forms and human resource procedures.

Here are three important HR tips:

- Keep the organizational personnel manual in compliance with state employment law.

- Create procedures for hiring new employees, an orientation and training manual for new employees and a step-by-step procedure for training those new employees.

- Keep employment records up to date; create a procedure for the storing information in the employment files. Track this information in the employment files: employee attendance, disciplinary warnings, vacation requests, employment hiring forms, and benefit enrollment forms. This information will come in handy if an employee dispute arises or if a manager is called before your local Unemployment Insurance Board for a hearing.

3. Accounting/Financial Management

Many nonprofit organizations use QuickBooks Accounting Software. QuickBooks Pro is available though http://www.intuit.com. There are other nonprofit accounting software programs available, Idealware provides a review of nonprofit tools available http://www.idealware.org/articles/fgt_accounting.php.

If using Quickbooks, it is important to record program budgets and costs in classes, and foundation budgets and costs in customer: jobs. Then program budgets can be printed out separate from organizational budgets and compared to program specific expenses. Shared costs should also be recorded into Quickbooks. These shared costs should later be allocated across all program and support costs.

A great place to freshen up on financial skills is through a Quickbooks or other accounting/financial management course at a Nonprofit Support Center or other training center.

Budgeting

Budgeting is a key component in Nonprofit Financial Management. Here are key steps in the budget process.

- Establish a budget timeline and what steps will be taken to implement the budget.

- Decide what type of budget to be written.
  - An organizational wide budget.
  - A specific program budget.
  - Both

- Decide who will be involved in the budget process, the Board of Directors Finance Committee should be involved and oversee the organizational wide budget process.

- Figure out how staff time will be allocated across programs and support or admin costs. Two common allocation methods are:
  - Staff Time allocation--is based on how much time staff spends in each program.
  - Full Time Equivalent allocation--uses percentages of how many full-time staff work in each program.

- Show income sources in the budget projection.

- Write a budget narrative to explain the budget.

Financial Statements

After the budget is written and it is approved by the Board of Directors, financial statements need to be produced. The basic financial statements that should be produced on a monthly or quarterly basis are:

- Balance Sheet
- Statement of Functional Income and Expenses
- Statement of Cash Flows

Financial Review and/or Audit

Some funders will not provide funding to organizations unless they receive financial statements from the organization in the form of an annual review or audit. Review's generally cost $2-6k or less and audits cost $4-10k or more. It is important to get quotes from multiple accountants who provide review and/or audits then present those quotes and information about the accountants to the Board of Directors because they should pick the auditor.

There are new laws out that affect organizations who earn over $2Mil a year, for example, the board should convene an audit committee separate from its finance committee and the audit committee chair cannot be the treasurer. For more information about the Sarbanes-Oxley law that affects nonprofits check out the Independent Sector's website:
http://www.independentsector.org/issues/accountability/checklist.html

The important recommendation is that Program Expenses be between 70-85%, Administrative Expenses be 10-15% and Fundraising Expenses be between 5-10% of total organizational expenditures. The IRS and foundation funders look for these percentages and will possibly not fund an organization that has combined Administrative and Fundraising expenses are above a certain percentage. In addition, the IRS scrutinizes organizations with little or no fundraising expenses.

Several helpful nonprofit accounting books include, "Financial Leadership for Nonprofit Executives" by Jeanne Bell Peters and Elizabeth Schaffer and "Quickbooks for Nonprofits" by Christine L. Manor.

4. Fundraising/Development

Fundraising is the glue that holds the nonprofit organization together. There are several types of fundraising sources.

Foundation Support
The key to winning foundation support is through getting to know the foundation's Program officers and writing a winning grant proposal. Free grant writing workshops are available through http://www.foundationcenter.org as well as a paid monthly Foundation grant search service. Although the task of writing a grant may seem overwhelming, there are three distinct steps in the grant writing process.

- First, outline what information will be written in the proposal based on the proposal requirements.

- Second, write the content based on following a step-by-step outline. Usually a Foundation will require a letter of inquiry first. Then, if asked to submit a full proposal--the standard proposal consists of--Mission/History of Organization, Needs Statement, Program or Project Objectives, and Program or Project Outcomes. National Network of Grantmakers http://www.nng.org provides a template grant proposal organizations can use, however many foundations also have specific grant proposal requirements, so it is very important to check the Foundation's website to check what the proposal requirements are.

- Last, organizations should reward themselves by compiling the grant attachments and make a copy for the records. When the grant is awarded, organizations should keep track of all the report dates and renewal deadlines. Generally foundations will fund programs for 2-3 years with the goal of the program being able to sustain itself with other funding sources. Also, foundations do not want to be the first funder of a program, or the only funder of a program.

Corporate Support
Each city has many well-known large corporations with specific giving departments. Each summer the San Francisco Business Times publishes their Corporate Philanthropy issue. It highlights the key Corporate Donors in the Bay Area. See if the local newspaper in your city does the same. Many corporations have similar Grant Proposal requirements to foundations while other corporations want donation requests to be submitted at the individual store level. To request a corporate donation, look for titles of people to contact within that organization like, Vice President of Global Community Relations, Manager of Community Relations, or Senior Vice President of Community Benefit.

The key to soliciting corporate donations is to start small. It is good to print out a list of local businesses from http://smartpages.com and ask them to donate to the organization's next big event or holiday giving program. Many small businesses are willing to help. The solicitation letter to the business should be on organizational letterhead and include the tax id #, mission explanation and donation request. One small corporate donation today, could lead to a large donation in the future.

Another type of corporate support is cause related marketing, when a corporation donates to a nonprofit in return for being able to market the corporation's product or service. The key to successful cause related marketing is building a relationship with the corporation and providing the corporation with marketing benefits.

Individual Support

Any individual donor has the potential of becoming a major donor. It just takes cultivation and the correct ask.

On-line donation giving has increased over the past few years. A great online fundraising resource is Groundspring's on-line Fundraising Handbook which can be found on their website. http://www.groundspring.org. Groundspring also provides on-line credit card processing for nonprofit organizations. The practice of online fundraising has boomed over the last couple of years, Madeline Stanionis who used to be president of Donor Digital http://www.donordigital.com and now runs her own company recently published a book, "Raising Thousands of Dollars with Email"

It is important to keep connected with individual donors on a regular basis by e-mail, phone call, or mail. Organizations should ask their donors for advice and/or suggestions. The more connected donors are to an organization, the more likely they will give of their time and money. In addition, it is beneficial to involve board members in fundraising efforts too by establishing giving levels and reward procedures so that every donor who gives at the same level is treated equally. Donation rewards can be in the form of a letter, phone call or a personal visit. Consequently, it is important to find out if a donor gives for intrinsic or extrinsic reasons. If they give for intrinsic reasons they may not want any recognition. Grassroots Fundraising Journal http://www.grassrootsfundraising.org provides tips and training about how to fundraise through individual donations.

Government Support

Government agencies send out Request for Proposals (RFPs) and usually have a meeting to explain about guidelines. Or you can check out the website www.grants.gov for a list of current RFPs. Generally there is an extensive application process. It is helpful to contact organizations who currently receive Federal or State Funding to learn about the application process. Getting grants from local government is very political, and organizations need to already have relationships with representatives in local government and be participatory on the boards of certain government agencies.

A well-known Fundraising Book, "Achieving Excellence in Fundraising," by Henry Rosso, highlights the importance of preparing a case statement fundraising efforts. A fundraising case statement includes an organization's mission statement, fundraising goals, and objectives, as well as how those fundraising goals and objectives will improve the program activities.

Planned Giving

Another fundraising source is planned giving. Planned giving is used by many large nonprofit organizations, however every organization can ask for a planned gift. Planned gifts involve a lot of donor cultivation work and are very rewarding. When a donor puts an organization as a beneficiary in their will, or when a donor makes a three-year giving commitment, they are making a planned gift. A great planned giving book is "Planned Giving Simplified, the Gift, the Giver, and the Gift Planner," by Robert F Sharpe, Sr.

Fundraising Tracking Software

It is very important to have some sort of database software to track donors and constituents. Organizations can use Microsoft Excel or Access; however fields are limited and most nonprofit choose database software that has nonprofit specific fields. http://www.Idealware.org and http://www.Grassrootsfundraising.org review and provide comparisons about what fundraising databases are available and what their features are, so organizations can make an informed decision about what database to choose.

Marketing

Marketing is not listed as a separate section in this packet; however here are key points about the importance of marketing in a nonprofit. An organization should utilize all the resources around it and get to know the community it will be serving. When a small business applies for financing they must provide proof to the public that their business will work. In order to prove its success, organizations should talk to their constituents by surveying them and proving why the community will benefit from the new organization.

A great marketing tool is public relations, or using the media to tell the organizational story. The best way to start this is by identifying local media contacts and writing a press release to announce the new organization or program and how it will be beneficial to the community. World Hunger Year has produced a free media guide for nonprofits that can be downloaded on their website.
http://www.worldhungeryear.org/forms/frm_media_guide.asp

It is also important to write a Communications Plan.
http://www.causecommunications.org provides a free Nonprofit Communications Tool Kit available through their website.

5. Board of Directors/Governance

Board members play an important role in the success of a nonprofit organization. It is important to be strategic when recruiting board members. Board members should be able to make a commitment of their time, talent, or money to an organization. Give a potential board member a job description before they join the board so they know exactly what is required of them. Some organizations give their board members a board orientation packet to orient them to the organization. The orientation packet includes organizational financial information, organizational background information, a board member job description and a Board of Directors code of ethics.

Establish Board committees to delegate responsibilities. Key standing committees (permanent) consist of Executive, Finance and Fundraising, Board Development and Personnel committees. Some Ad Hoc (temporary) committees are Strategic Planning, Special Events, Audit, Safety and Evaluation committees.

It is important to be diverse in board member selection. While some board members may be able to give money, others may have expertise in an area that is needed. As an example, if an organization is recruiting 9 board members, it will want to recruit a lawyer, a teacher, an entrepreneur, two constituents (someone who benefits from the organization's services), a local community leader, a businessperson, a member of the nonprofit community, and a psychologist. The board member resource center is: http://www.boardsource.org. Board source also provides affordable how-to guides for board members called Board Source Series, one example is: "Fundraising Responsibilities of Nonprofit Boards," by James M. Greenfield, ACFRE, FAHP. Another great board member resource is "The Strategic Board, The Step by Step Guide to High-Impact Governance," by Mark Light. The Council on Quality and Leadership also provides a free guide called, "Developing and Supporting a Board of Directors." http://www.thecouncil.org.

6. Technology

Many employees receive the title of "Accidental Techie," because they are willing to help solve technology issues within their organizations. Consequently, the nonprofits who cannot afford to hire full-time Information Technology specialists or consultants rely on "Accidental Techies" to find the technology solutions. Below are some "Accidental Techie" resources.

- http://www.accidentaltechies.org: A great technology resource center.
- http://www.techsoup.org: Very low cost software for nonprofit organizations, as well as provides answers to many technology questions.
- http://www.compasspoint.org: Technology workshops, including Accidental Techie trainings and free guide to Application Service Provider's, Internet Services.
- http://www.democracyinaction.org: Provides online donation software as-well-as online campaign tools.
- http://www.pcmagazine.com: Great free expert advice for purchasing any technology product.
- http://www.idealware.org: Nonprofit Software Reviews.
- http://www.downloads.com: Reliable free software downloads.

Websites

The entire website design process has changed in the past couple of years to now there are programs where nonprofit staff can easily update its website online. These systems are called Content Management Systems. Every nonprofit has different requirements for what they want to include on their website. Nonprofits should consult with an "expert" to assist with creating or improving its website because there are so many choices out there. There are now new free open source website programs to choose from like Drupal. Companies like Radical Designs http://www.radicaldesigns.org and Float Left http://www.floatleft.org provide website creation for progressive nonprofit organizations. However, nonprofits should find the best nonprofit website designer that works for them. Nonprofits can post their technology and/or website request on several nonprofit techies listservs and receive many responses from technology consultants who can help. Some of these listservs are nten-discuss@groups.nten.org or npo-techies@lists.compasspoint.org Aspiration http://www.aspirationtech.org holds Penguin Day conferences across the USA to help non-profits demystify open source software and see what is available.

Technology Implementation

The basic IT components necessary in an organization are a computer, some type of Internet connection, a printer, a fax, and a phone (or VOIP-phone through the internet). Larger organizations require a server, a hub to give network capabilities and a router or switch. http://www.compumentor.org/hsc/ Compumentor's Healthy and Secure Computing program has developed computer and technology standards for small to mid-sized nonprofits. Their free booklet is available through their website.

It is important that nonprofits keep an inventory of technology products and a log of what goes wrong with each product as well as what is done to fix the problem. The technology inventory should include: Vendor/manufacture name, Model Name, Type of Operating system, Processor, RAM, Hard disk, Monitor, Network type, User Name, Date of purchase, and Item function.

7. Planning

Planning helps an organization to figure out where it wants to go, and monitor its progress along the way. It strengthens accountability and provides a tool for success. Sample business plans are available at: http://www.bplans.com/samples/sba.cfm. An effective nonprofit is constantly planning for the future and conducts a three to five year Strategic Plan and Annual Plans in the following areas:

Fundraising

- A fundraising plan includes: Mission Statement, description of services, current fundraising methods, fundraising goals, assigned fundraising activities, defined fundraising time frames, and established indicators of fundraising plan successes.

Technology

- A technology plans includes: Mission Statement, description of services, current technology structure and inventory, technology goals, and technology recommendations from an IT professional. Tech Soup provides technology planning resources. http://www.techsoup.org

Marketing

- A marketing plan includes: Mission Statement, description of services, current marketing environment and activities, assessment of the marketing competition and specific industry, marketing goals, target markets, message, assigned marketing tasks, defined marketing time frames, and marketing evaluation indicators. It is also good to do a separate communications plan too.

Management

- A management plan includes: Mission Statement, description of services, current management practices, management goals, management projects, implementation procedures, defined management time frame, evaluation of management plan.

Annual plans should be completed before starting the annual budgeting process this will show how much money is budgeted for each area.

8. Training

Ongoing training is crucial for Nonprofit Managers. There are many types of training options.

- ***Training Seminars:*** These seminars are organized by nonprofit resource centers or organizations like Association of Fundraising Professionals.

- ***Training Programs:*** These programs are organized by a variety of Consulting firms, Universities, professional organizations, and businesses. Like, Indiana University's Fundraising School provides fundraising non-credit training courses across the country. http://www.philanthropy.iupui.edu Click on Fundraising School.

- ***Certificate and Degree Programs:*** Many nonprofit leaders come from diverse professional backgrounds and desire nonprofit management training. Here is a website that lists nonprofit management certificate and degree programs by University name and state: http://pirate.shu.edu/~mirabero/Kellogg.html.

A couple of nonprofit resource centers on the internet are: Capaciteria http://www.capaciteria.org which provides a comprehensive list of nonprofit capacity links and resources broken out by subject area. Other nonprofit resource centers are http://www.managementhelp.org http://www.idealist.org and http://www.nonprofits.org.

Bonus Section

How to improve your Nonprofit Operations in Under Two Months & 10 Nonprofit Operations Success Steps.

The IRS and Congress have become more scrupulous about holding nonprofits accountable to their day-to-day operational actions. More and more organizations are being fined or penalize for their operational mistakes. It has been proven that nonprofit managers who follow the 10 Nonprofit Operations Success Steps in under two months are able to spend less time worrying about their operations and spend more time focusing on achieving the mission of their organizations.

By following the steps below organizations create a unique Operations and Procedures Manual specific to the organization and its culture. This completed Operations Manual filled with templates and procedures enables managers to follow the same operational steps in the future and train staff on those procedures. The success steps are:

Legal/Risk Management/HR

1. Review the organization's Insurance policies making sure all the policies are current with the correct information. Request special event forms from Liability insurance provider (to fill out and submit every time the organization holds an off site event.) Also, make sure that your insurance has a non-hired auto's section in the policy. This is to cover cars that staff and volunteers rent while representing the organization.
2. Create a new hire packet and training orientation procedures for new employees.
3. Review employment records and if necessary improve how they are maintained. Organize records to include relevant information such as: employee attendance, disciplinary warnings, vacation requests, employment hiring forms, and benefit enrollment forms.

Accounting/Financial Management

4. Review the accounting books and resolve accounting/bookkeeping errors. Incorporate Nonprofit Chart of Accounts and/or clean up the chart of accounts. Hire an accountant on a monthly basis to review the financial books and provide Generally Accepted Accounting Practices (GAAP) procedures.
5. Create accounting/bookkeeping procedures manual to keep in compliance with GAAP procedures. Create reimbursement/check request and other necessary fiscal forms.
6. Review vendor lease agreements as well as bill paying practices and implement any cost saving methods the organization can take with working with its vendors. For example, pay off a lease early to avoid having to pay an excess amount of interest.

Fundraising/Marketing/Technology

7. Purchase a database for the organization. Create database entry procedures and train staff on those procedures. Then create a file saving procedure for example (NameofFileDateVerson.doc).
8. Create procedures for grant writing and submitting grant proposals as well as cultivating the donor relationship. Create fundraising calendar that includes grant deadlines, report dates, and renewal dates.

Governance

9. With board's advice and input--Create or revise board orientation binder and board job description. Compile board minutes from all previous board meetings and place together in one binder, or one binder per year. The board minutes are supposed to be available for the public at all times.

Planning

10. Plan out the rest of the 10 months of the year and nonprofit operations actions steps.
    - Review marketing practices of the organization including website, newsletter, and promotional materials. Plan steps for improvement of these materials.
    - Print out Healthy and Secure Computing booklet from Compmentor and start technology inventory. Assess the computer and networking situation in your office.
    - Plan how to templatize the organization's event planning process so that events can be easily replicated, and then create procedures for event planning.
    - Hire a personnel attorney to start to review and provide recommendations for Personnel Manual to be in compliance with the state's employment law.
    - Organize the accounting paper files so they are ready for an accounting review or audit.
    - Assess whether or not an office move is necessary. Then take steps to look for a new office space. (See Nonprofit Operations Blog http://www.aspirationtech.org/blog/nonprofitoperations Post-Nonprofit Office Space Searching Tips and the Setting up a Nonprofit Office Toolkit.

About the Author

Heather has served as Operations Manager, Consultant, Speaker and Trainer to nonprofit organizations in California and Illinois for over 6 years. She earned her Masters of Management in Nonprofit Administration from North Park University in Chicago, Illinois. Heather is currently pursuing her PhD in Leadership at the University of San Diego. Heather is creator and author of the Nonprofit Management and Operations blog and was interviewed by the national women's blogging website —Blogher; quoted as being a, "Nonprofit Operations Guru." Heather is currently blogging about Nonprofit Leadership at her Nonprofit Leadership 601 blog.

Disclaimer

Heather is not getting paid by the particular companies or consultants to provide recommendations. The resources listed in the toolkit Heather has found helpful in managing the day-to-day operations of her nonprofit organization. This information is provided strictly for educational purposes.

Many of these resources will be helpful to you and others may not be helpful. Feedback is always appreciated, so any suggestions or comments on how to make this Nonprofit Operations Toolkit more helpful to future clients would be much appreciated.

This toolkit provides practical steps and resources for established nonprofit organizations to run more effectively. The toolkit is broken into eight key operational areas which are critical to running the day-to-day operations of any nonprofit organization. These critical areas include: Legal, Human Resources, Accounting/Financial Management, Fundraising/Development, Board of Directors/Governance, Technology, Planning, and Training.

The toolkit also includes a bonus section, "How to Improve Your Nonprofit Operations in Under Two Months & 10 Nonprofit Operations Success Steps."

Following these steps will give you the ability to spend less time on operations and spend more time focusing your organization's programmatic activities to successfully achieve your mission.

Heather is passionate about your nonprofit's operations!! She has served as an Assistant Director, Operations Manager, Consultant, Speaker and Trainer to nonprofit organizations in California and Illinois for over 6 years. She earned her Masters of Management in Nonprofit Administration from North Park University in Chicago, Illinois and is currently pursuing her PhD in Leadership at the University of San Diego. Heather is creator and author of the Nonprofit Management and Operations blog and was interviewed by the national women's Blogging website—Blogher which quoted her as being a "Nonprofit Operations Guru. "Heather currently blogs about Nonprofit Leadership at her Nonprofit Leadership 601 on Blogspot.com.

www.nonprofitalternatives.org
http://nonprofitleadership601.blogspot.com