



## **Recommended Best Practices for Nonprofits**

Based on recommendations from the Panel on the Nonprofit Sector, the Trust now requires these practices in any nonprofit organization funded by the Trust. The full report can be found at [www.nonprofitpanel.org/final/Panel\\_Final\\_Report.pdf](http://www.nonprofitpanel.org/final/Panel_Final_Report.pdf). As organizations apply to the Trust, a checklist of eight recommended best practices is provided for nonprofits to indicate which practices and policies are in place. Beginning in January 2007, any organization applying for a grant will be expected to have enacted these best practices.

As a part of the Trust's due diligence, organizations may be requested to submit additional documentation to substantiate their responses. For specific information and examples of policies, see Independent Sector's Checklist for Accountability, Evangelical Council for Financial Accountability's (ECFA) Seven Standards of Responsible Stewardship, ECFA's Sample Policies and Other Documents and Board Source's E-Policy Samplers. Additional resources about board effectiveness can be found at [www.boardsource.org](http://www.boardsource.org).

- 1. The board, or the audit committee, should review the nonprofit's Form 990 tax return before submission.**
- 2. Nonprofits with \$1 million or more in annual revenue must have an independent audit conducted annually and should establish an audit committee with financially literate membership.**
- 3. Nonprofits with annual revenues between \$250,000 and \$1 million will have their financial statements reviewed by an independent certified public accountant.**
- 4. Nonprofits should adopt a strict conflict of interest statement that the staff and board annually review and sign.**
- 5. The full board of a nonprofit should approve any change in the compensation of the CEO annually.**
- 6. Nonprofits should have travel policies that provide clear guidelines on the types of expenses that can be reimbursed and the documentation required to receive reimbursement.**

- 7. A nonprofit should have a minimum of three members on its governing board, and at least one-third of the members should be independent.**
- 8. Nonprofits should establish policies and procedures that encourage individuals to come forward with credible information about illegal practices or violations of adopted policies of the organization.**