

GUIDELINES AND RESOURCES

Principles & Practices

for Nonprofit Excellence in Montana



MONTANA NONPROFIT ASSOCIATION
Many Missions One Voice



Montana Nonprofit Association

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**PRINCIPLES AND PRACTICES
FOR NONPROFIT EXCELLENCE
IN MONTANA**

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Montana Nonprofit Association

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The Principles and Practices are an absolutely essential resource for nonprofit staff and volunteers leaders looking for guidance in key areas of management, governance and best practices. This document helps us all raise the bar in terms of how we operate, both as individual nonprofits and as a sector.

—SUSAN HAY PATRICK,
United Way of Missoula County

We appreciated having a guide as we established policies and procedures for Tamarack Grief Resource Center!

WELCOME and heartfelt thanks for the work you and the nonprofit you serve are doing in Montana and beyond.

Montana Nonprofit Association's (MNA) core belief is that a thriving and healthy nonprofit sector is essential to Montana's vitality and livability, both now and for the future. Throughout history, nonprofits have served as centers for deep social and cultural change, shaping and strengthening communities. We have proven to be resilient institutions in the face of changing times. Today, nonprofit leaders are increasingly challenged by greater community needs, heightened public demands for accountability and limited or often declining resources. To assist you in meeting these challenges, we offer *Principles and Practices for Nonprofit Excellence in Montana*, an inclusive framework for strengthening your organization and advancing your mission in an ever more complex and demanding environment.

Principles and Practices for Nonprofit Excellence in Montana is a comprehensive guide that sets forth principles, as well as legally required and organizationally recommended practices for all aspects of nonprofit leadership and management. The original publication, developed ten years ago, offered Montana's 501(c)(3) nonprofit organizations a pragmatic and aspirational tool for organizational development. Much of that content is carried forward in this revision. However, as is the case with other industries, the nonprofit sector has evolved over the past decade. The 2017 revised Principles and Practices reflects the most current legal requirements applicable to Montana's 501(c)(3) nonprofits along with industry practices and standards generally expected in the nonprofit sector.

We invite you to view this publication as a tool. We believe there are many reasons for practicing the recommendations in this document. The most fundamental of these is your increased ability to move your mission forward. We believe following the recommended practices outlined in this publication will strengthen your work and help you excel in your endeavors. As you see greater impact in the community you serve, you'll be sustained rather than drained in your role as a leader. This is good for you, the organization you serve and future generations of nonprofit leaders for whom you are paving the way. Your organization's reputation for efficiency and effectiveness will bolster the standing and influence of the larger nonprofit sector in Montana and beyond. And as "good begets good," we will all benefit from growing public awareness, widespread support and goodwill and deeper engagement with the communities we are part of. These are outcomes worth pursuing.

Photo above:
Emerson Center for
the Arts and Culture,
Bozeman

HOW TO USE THE PRINCIPLES AND PRACTICES FOR NONPROFIT EXCELLENCE IN MONTANA



Legal Practices are legally required of all Montana nonprofits



Essential Practices are widely recognized as industry standards and generally expected of all nonprofits



Recommended Practices should be considered by all nonprofits, with implementation dependent on capacity and life stage



United States law



Montana law

IN THE FOLLOWING PAGES, you will find a series of eleven principles and related practices relevant to nonprofit organizations in Montana. Initially, the amount of information might be overwhelming. However, you can design a manageable approach to implementation by understanding your available resources, the developmental stage of the nonprofit you serve and your highest priorities at any given time.

The framework below is both practical and aspirational; it is not possible or advisable to pursue every concept simultaneously. Practices are organized in three general categories to help you prioritize your next steps:

Legal practices are legally required of all Montana nonprofits. They include the minimum legal requirements for operating as a 501(c)(3) nonprofit corporation in the state of Montana. Every nonprofit in the state must implement these practices regardless of size. The legal requirements your particular organization must comply with might exceed those contained in this general overview. Certain types and subsectors of nonprofits will have additional legal obligations. Certain contracts come with legal stipulations. In addition, federal, state and local laws continually change.

Essential practices are widely recognized as industry standards or expectations for all nonprofits—both in and out of Montana. These practices create a foundation for accountability and credibility upon which the nonprofit organization can stand and grow over time. Some emerged because of an existing law but are not in themselves legally required. Others evolved over time to solve problems or proactively build trust, transparency and accountability.

Recommended practices are those all nonprofits should consider implementing, depending on capacity and life stage, to further their development as a nonprofit of excellence. Some are basic common sense fundamentals. Others are aspirational or a path to moving the organization to the next level.

Organizational development is a thoughtful, intentional process that takes place over time. Any of the Principles and Practices could take months to fully integrate into the ongoing operations of the organization. And not every practice will be of equal importance to you. Your individual approach to implementing the practices is paramount to your success. You will need to customize your efforts to the unique context and needs of the organization you serve.

Photo opposite:
United Way of
Missoula County,
Missoula

Where appropriate, implementing the practices in a way that goes beyond compliance to a deeper cultural shift will serve you well. You will reap great benefits as you steadily advance your mission and multiply your impact in a sustainable, systematic and aspirational way. Therein is the path to nonprofit excellence.

CREATING AN INITIAL PLAN

- Make a plan and set a time for board members, staff and/or key volunteers to review the Principles and Practices publications: The Principles and Practices for Nonprofit Excellence in Montana and The Self-Assessment Tool.
- During your review, highlight the practices already in place. Celebrate the work that has already been done!
- Note any legal requirements your organization has not implemented. These are a top priority.
- Consult accounting, legal and HR experts for further direction on additional legal requirements specific to the nonprofit organization or subsector you serve.
- Highlight the practices you need or want to implement now. Screen out those that may be important in the future, but are not your priority today.
- Keeping in mind the relative importance of Legal Practices, Essential Practices and Recommended Practices, prioritize which practices to focus on now.
- Make a plan—with timeline—for implementation.
- Start small and build on experience as you progress.
- Resources, sample policy templates and technical assistance are available on MNA's website and by phone. Don't reinvent the wheel!
- Schedule an annual review of the Principles and Practices publications.
- Revisit the process during times of significant organizational transition. Examples include electing a new Board president/chair or hiring a new Executive Director/CEO. This will help solidify a culture of organizational development that will transcend change.
- Make "striving to be a nonprofit of excellence" a core value of the organization.



TIP FOR SUCCESS:

Write down the time of year to revisit the Principles and Practices each year.

TIME: _____

HOW TO USE THE PRINCIPLES AND PRACTICES FOR NONPROFIT EXCELLENCE IN MONTANA



 **Legal Practices are legally required of all Montana nonprofits**

 **Essential Practices are widely recognized as industry standards and generally expected of all nonprofits**

 **Recommended Practices should be considered by all nonprofits, with implementation dependent on capacity and life stage**

Photo above:
Easter Seals Goodwill,
Great Falls

Graphic opposite:
Permission granted to use.
2017 © Ned Cooney.

QUESTIONS TO CONSIDER BEFORE STARTING TO IMPLEMENT PRINCIPLES AND PRACTICES

- How will we thoughtfully and intentionally implement the Principles and Practices so that our organizational development efforts have the greatest chance for success while remaining manageable and sustainable over time?
- What are the resource implications we should consider (time, money, etc.)?
- To what extent is our staff and board leadership committed to change and continuous improvement over the long haul as we aspire to excellence?
- To what degree do we have the right people involved in this process and are we positioned to bring in others as needed along the way?

Though each nonprofit is unique, we also have much in common. The Principles and Practices address those areas we share. Applying a metaphor from the National Council of Nonprofits, using the Principles and Practices is like gardening (or in Montana, farming). Plants of different varieties have unique needs, seasons and growth cycles. Nonetheless, the concepts of tilling, planting, feeding, watering, weeding and harvesting apply to all.

In the same way, nonprofits differ in mission, size, location, maturity and life cycle. The concepts found in the Principles and Practices for Nonprofit Excellence apply to all. This publication is your roadmap to thoughtfully developing a nonprofit organization that will yield bountiful and sustainable results for the communities and people you serve.

Disclaimer: The information in Principles and Practices is for Montana nonprofit corporations registered as tax exempt under section 501(c)(3) and classified as a public charity under section 509(a) of the Internal Revenue Code. Some 501(c)(3) organizations are organized as charitable trusts, instead of nonprofit corporations. If your 501(c)(3) organization is a charitable trust, additional requirements of applicable state trust law apply beyond the practices outlined in this document.

Adherence to Principles and Practices is not mandatory and will not result in certification or accreditation. This document is also not meant to serve as criteria for rating the effectiveness of nonprofits. Rather, Principles and Practices is a tool to be used as needed and as appropriate to help nonprofit leaders achieve excellence in the execution of their important work.

The practices articulated here focus on the highest, not minimum, standards. Because of that, it is expected that most nonprofits will not demonstrate adherence to all the recommended practices. Additionally, nonprofits may be accountable to additional or slightly different standards based on their national affiliations, their responsibility to grant funders and/or nuances of their subsector work.

The information in Principles and Practices is not meant to be construed as legal, accounting or HR advice. Please consult with legal, accounting and HR professionals to determine whether an individual practice is appropriate for the nonprofit's current situation.

Questions to ask as your organization evolves

During the early days

- What is our vision for the organization in 5 years? 10 years? 20 years? What would we need to achieve that vision?
- Are there other organizations doing the kind of work we are thinking about, or serving the same population or cause?
- Could we partner with them in some way, or will they be competitors?
- Are we truly meeting an unmet need?

During the early days – before receiving official IRS 501(c)(3) recognition:



Becoming a nonprofit

- How would the world be different if we succeeded?
- How will we measure success?
- What kind of board culture, expectations and accountability do we want to have?
- How can we address the need to formalize our structures?
- What fears/reluctance do we need to overcome about structure and formality?
- Can the founder(s) imagine a day when they are not involved in the organization anymore? What would that look like?

As the group is becoming a formally recognized 501(c)(3) nonprofit corporation:



Formalizing

- What structures, policies, and best practices should we follow to ensure a good relationship with staff?
- Are the founders ready to share the responsibility for the crafting of the vision, making big decisions and setting the direction of the organization?
- What kind of accountability do we want to put in place now, to ensure the integrity of our mission (bookkeeping, internal controls, donor recognition, personnel evaluation)?
- What values and beliefs do we want to hold as we do this work together?

As the organization is formalizing, recruiting more people to the work, and putting more structure in place:



Stable & Consistent

- What makes us unique and successful?
- How can we build upon core competencies strengths for new innovations and service areas (populations, new service delivery strategy, new geographic areas, etc.)?
- Who are our competitors? What can we learn (or borrow!) from them?
- What areas do we need more control in? Less control?
- Are our administrative structures (finance, IT, HR, facilities) keeping up with the growing needs of our program and mission?

As the organization is stable and producing consistent results:



Stagnation & Decline

- What stories do we tell ourselves about our work and history? Where can we reinvigorate or rebirth our story?
- What has been, and currently is, our relevance/importance to the community?
- What would the community/the people we serve/our cause lose, if we stopped our operations?
- What are our core competencies (things we do well)?
- How might we apply these in different ways to new markets?

As the organization is facing stagnation or decline, and needs to renew itself or face closure:



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Legal review was provided by:

Trister, Ross, Schadler & Gold, PLLC

THE ELEVEN PRINCIPLES

Accountability, Transparency and Disclosure • Advocacy and Public Policy • Communications • Evaluation • Financial Management

PRINCIPLE: ACCOUNTABILITY, TRANSPARENCY AND DISCLOSURE:

AS ENTITIES SERVING THE PUBLIC GOOD, nonprofits have an ethical obligation to conduct their activities in a manner that is accountable and transparent to their constituents. Nonprofits engage in ongoing efforts to openly convey information to the public about their missions, activities, and decision-making processes. This information is easily accessible to the public and creates external visibility, public understanding, and trust in the organization.

PRACTICES: Accountability, Transparency and Disclosure

-  1. A nonprofit must comply with all legal and other required reporting procedures.  
-  2. A nonprofit has a responsibility to establish, achieve, and regularly measure clearly defined levels of performance in their activities and to share those results with the public.
-  3. A nonprofit must meet all federal requirements for public disclosure. The Internal Revenue Service requires that a nonprofit make annual returns (Form 990 as appropriate based on the gross receipts of the nonprofit) and tax exemption documents available to the public unless the nonprofit is subject to a harassment campaign. Nonprofits not classified as a private foundation are not required to publicly disclose a list of their donors. 
-  4. Information regarding fees and services are readily available to the public.
-  5. In serving the public trust, a nonprofit produces and distributes an annual report and/or posts information to the organization's website, including names of board members, management staff, supporters, donors per the organization's donor recognition policy and documents regarding activities and program and financial performance.
-  6. Directors and officers must recuse themselves when they have a conflict of interest regarding a transaction over which they have authority on behalf of the nonprofit. *Also in "Governance"*  
-  7. To assist directors and officers in recusing themselves when they have a conflict of interest, the board of directors adopts a written conflict of interest policy regarding board members, staff, volunteers, consultants, and other contractors and adheres to this policy in all dealings. The conflict of interest policy clearly outlines potential conflicts and procedures for disclosure and dealing with conflicts; it provides for review by members of the board not involved in the conflict. Each director reviews, updates, and signs his/her conflict of interest statement annually. Potential conflicts are monitored and the conflict of interest policy is enforced in the event of a conflict.

Photo opposite:
Special Olympics Law Enforcement
Torch Run, Ravalli County

Equity Practices

- 8. A nonprofit ensures the provision of nondiscriminatory and, as required, confidential service to its constituents, staff, board members, and all other stakeholders. The nondiscriminatory and confidential service policies and procedures must be prominently displayed as required along with procedures to respond to violations as relevant to the organization. *Also in “Employee and Volunteer”*  
- 9. Employees and board members review and sign off on the organization’s written policy(ies) on this subject.

Community Access and Input

- 10. A nonprofit provides multiple means (telephone, fax, e-mail, and web form, for example) for contacting the organization to request information or provide input.
- 11. Boards of directors provide information to the public that describes their decisions and decision-making processes. They may make meeting agendas and descriptions of significant decisions available to those who request them.
- 12. A nonprofit is encouraged to engage a diverse cross-section of stakeholders in the development of goals and service delivery methods to carry out its mission and commits to sharing accomplishments and lessons learned through this engagement.
- 13. A nonprofit takes reasonable steps to make its public information, and, if applicable, its physical facility, accessible to its constituents, staff, board members, other stakeholders, and the community.

 **Legal Practices are legally required of all Montana nonprofits**

★ **Essential Practices are widely recognized as industry standards and generally expected of all nonprofits**

 **Recommended Practices should be considered by all nonprofits, with implementation dependent on capacity and life stage**



THE ELEVEN PRINCIPLES

Accountability, Transparency and Disclosure • Advocacy and Public Policy • Communications • Evaluation • Financial Management

PRINCIPLE: ADVOCACY AND PUBLIC POLICY:

BY PROVIDING A MEANS for public participation and promotion of the common good, nonprofit organizations play a central role in the democratic process. Nonprofit organizations engage in advocacy and public policy efforts to promote their own constituent and organizational interests, as well as those of the nonprofit sector as a whole. In addition, nonprofits encourage broader public participation in these efforts and, in the process, provide appropriate education and assistance.

PRACTICES: Advocacy

-  1. A nonprofit encourages board members, staff, volunteers, and friends to act as advocates and ambassadors for the organization and the entire charitable nonprofit sector.
-  2. Individuals who are authorized to act as advocates and ambassadors for a nonprofit are knowledgeable about the programs and activities of the organization and prepared to speak on its behalf when appropriate.
-  3. Information provided to the general public, the media, and policy makers becomes a matter of public record. Therefore, in order to avoid misunderstanding or manipulation of the message, a nonprofit ensures both that the information is timely and accurate and that the social and political context of the information is clear.

Public Policy

-  4. A nonprofit participates in and supports the formation and amendment of public policy consistent with the organization's mission.
-  5. A nonprofit assists its constituencies in public and civic engagement by encouraging citizen participation in local, state, and federal policy-making efforts.
-  6. A nonprofit actively models respectful civic dialogue that promotes collaboration, diverse relationships in the community, and awareness of differences while being solution-oriented.
-  7. A nonprofit continuously maintains an understanding of the current public and political climate and the resulting impact on policy.
-  8. If engaged in public policy and/or advocacy activities, nonprofits adopt and adhere to a written policy that clarifies the scope of the work, as well as the time and resources to be allocated to those activities.

Photo opposite:
Rural Dynamics Incorporated,
Great Falls

- 9. A nonprofit that engages in lobbying must adhere to legal expenditure limitations.  
- 10. A nonprofit that engages in lobbying activities that are subject to state and federal reporting requirements must file accurate and timely reports on its lobbying activities with the Internal Revenue Service and the Montana Commissioner on Political Practices.  
- 11. Federally funded nonprofits that engage in lobbying activities must organize their legislative work so that no federal funds are used for this purpose.  
- 12. A nonprofit engaged in promoting public participation must ensure that the activities of the organization are nonpartisan.  
- 13. A nonprofit corporation must not make a contribution to or expenditure in connection with a candidate, nor do the same with a political committee that supports or opposes a candidate or a political party and must not engage in any activity that promotes or discourages a vote on behalf of any individual candidate.  



“...a means for public participation and promotion of the common good...”

THE ELEVEN PRINCIPLES

Accountability, Transparency and Disclosure • Advocacy and Public Policy • Communications • Evaluation • Financial Management

PRINCIPLE: COMMUNICATION:

EFFECTIVE COMMUNICATION IS CENTRAL to the success of an organization's mission, goals, and activities. Internal communication is essential to motivate, inform, and counsel employees and volunteers and to set the stage for excellent external communication. External communication is necessary to attract and retain constituents; to raise public consciousness; and to increase understanding of, commitment to, and resources for the organization.

PRACTICES: General

1. All organizational communications adhere to the highest ethical and professional standards, as well as any applicable industry-specific standards, and exhibit transparency, fairness, and honesty. These standards are clearly stated in writing and made part of the orientation of all employees and volunteers, including board members.
2. A nonprofit has a clearly defined, written communications plan that guides both internal and external communications and that supports the organization's comprehensive organizational plan. It is strategic and central to all organizational planning; it demonstrates accountability to constituents and the public.
3. A communications plan includes goals, target audiences, key messages, strategies, tools, intended outcomes, and a means to evaluate results.

Internal Communications

4. Internal communications are guided by clear policies and practices, such as regularly scheduled and attended meetings, regularly printed and/or e-mailed informational updates, a forum for suggestions, reports on meetings of the board of directors and its committees, recognition, and social events.
5. The line of communication between staff and the board of directors is clearly defined and well understood.
6. A nonprofit encourages internal communication that welcomes alternative perspectives, invites and encourages participation at all levels, minimizes defensiveness, and builds and maintains camaraderie. In addition, a nonprofit intentionally seeks out traditionally marginalized constituents, community members, and other stakeholders for their perspectives. Management solicits actively, listens carefully, and responds respectfully and with an awareness of its own biases.

“...communication
success of

Photo opposite:
United Way of Hill County

External Communications

- 👍 7. External communications are guided by clear marketing and public relations efforts. These may include a newsletter, website, social media channels, an annual report, advertising, public service announcements, promotional brochures and flyers, news releases, press conferences, and feature stories.
- ★ 8. A nonprofit regularly reviews and updates its branding and messaging to accurately reflect and include the diversity of individuals that it currently serves and aspires to serve in the community.
- ★ 9. A nonprofit identifies its spokesperson(s) who is/are authorized to make public statements about a given issue. All internal constituents are aware of who is designated as the spokesperson(s).
- 👍 10. A nonprofit has a written policy and procedures for developing public statements and positions on issues. All internal constituents are aware of them. The statements and positions represent the full range of views of the organization's constituencies and traditionally marginalized members of the community.
- 👍 11. A nonprofit has a written plan for communicating with the public and the media at a time of crisis or emergency. This plan includes a procedure to communicate internally as well.
- ★ 12. Constituents of nonprofits are provided with appropriate, ongoing opportunities to interact with the board of directors and management regarding the organization's activities. A nonprofit provides anonymous methods, including a mailing address, for constituents to provide feedback regarding the organization's activities.
- ★ 13. A nonprofit responds promptly and respectfully per policy to grievances or complaints from constituents. A nonprofit provides anonymous methods, including a mailing address, in which the constituent can state the grievance or complaint.



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an organization's mission..”

THE ELEVEN PRINCIPLES

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PRINCIPLE: EVALUATION:

NONPROFITS HAVE AN OBLIGATION to demonstrate their value to the public they serve. Nonprofits regularly measure their performance both in terms of effectiveness—such as outcomes and results of services (the “what”)—and efficiency—such as service delivery systems (the “how”). The public and nonprofit constituencies have a stake in nonprofit performance and should be informed about results. Evaluation is appropriate to the size and activities of the organization and evaluation data is used to continually improve the quality of processes, programs and activities.

PRACTICES: General

-  1. A nonprofit has in place defined, ongoing and sustainable processes for assessing its programs, procedures, outcomes and impact. All efforts at a nonprofit are assessed in relation to its mission based on shared values and beliefs, group assumptions about programmatic means, and intended impact on the community and people served.
-  2. A nonprofit commits to effective and efficient delivery of service and regularly monitors whether the services being delivered leading to constituent experience/satisfaction also align with the nonprofit mission.

Methodology and Measurement

-  3. Nonprofit evaluation includes input from a diverse cross-section of stakeholders, including staff, the board of directors, funders, constituents, and community members.
-  4. Information collected from constituents must be kept confidential and must not be released in a manner that would allow identification of specific persons served except with their written permission. 
-  5. A nonprofit conducts, analyzes and interprets evaluations in ways that are culturally sensitive and appropriate to the communities they serve and aspire to serve.
-  6. Evaluation tools are created to proactively respond to the needs of diverse constituencies and stakeholders. Staff and volunteers are trained to administer these evaluation tools in a welcoming and affirming manner.
-  7. Performance measures are realistic, specific and appropriate to the size and scope of the organization and its constituents.
 - a. Performance measures inform the organization’s planning and decision-making and influence decisions to continue, refocus or end programs or efforts.
 - b. Measurement seeks information on activities, results, and community input.
 - c. Measurement includes both qualitative and quantitative analysis methods. While potentially valuable for marketing and fund development purposes, client testimonials/stories are not by themselves evaluation. Similarly, service counts are necessary measures for reporting volume of service, but are not evaluative of impact or effect on their own.

Photo opposite:
Friendship House of
Christian Service,
Billings

d. Measurement seeks data focused on the impact of the nonprofit's work on participant outcomes that affect knowledge, attitudes, skills, behavior, or condition, ideally in a lasting way.

- 👍 8. A nonprofit organization uses external evaluators when appropriate and feasible. These evaluators should follow the national Guiding Principles for Evaluators set forth by the American Evaluation Association (www.eval.org).

Use of Evaluation Results

- ★ 9. Evaluation results are used to strengthen and improve the nonprofit's programs and activities by incorporating them into organizational planning processes.
- 👍 10. Evaluation results are communicated to a diverse cross-section of stakeholders, including staff, the board of directors, funders, constituents, and community members, using methods that are accessible to the community.
- 👍 11. A nonprofit trains its personnel in evaluation methods so as to improve their understanding and use of information developed from evaluation activities.
- 👍 12. A nonprofit shares relevant lessons learned with other nonprofits and funding sources.
- 👍 13. Strong nonprofits embrace evaluation as a learning, accountability and management tool, both internally and externally. By taking the initiative to "own" their evaluation practices and modeling; evaluation provides nonprofits a tool for continuous learning; for demonstrating effectiveness to funders and the community; and that supports and shows continued efforts to become more effective.
- ★ 14. In conducting evaluation, nonprofits strive to use the most scientifically rigorous methods possible, including external evaluation, taking into account resource limitations and/or ethical constraints. As appropriate, nonprofits will take care to use reporting language that accurately describes correlation rather than a causation between programmatic efforts and outcomes.
- 👍 15. Nonprofits regularly and judiciously assess their data collection practices and data use to minimize unnecessary collection of data and maximize the collection and use of relevant data to inform strategic directions, programs and services.



THE ELEVEN PRINCIPLES

Accountability, Transparency and Disclosure • Advocacy and Public Policy • Communications • Evaluation • Financial Management

PRINCIPLE: FINANCIAL MANAGEMENT:

NONPROFITS HAVE AN OBLIGATION TO ACT as responsible stewards in managing their financial resources. Nonprofits must comply with all legal financial requirements and adhere to sound accounting principles that ensure fiscal responsibility and build public trust. Nonprofits should use their financial resources to accomplish their missions in an effective, efficient and strategic manner and should establish clear policies and practices to regularly monitor how funds are used.

PRACTICES: Fiscal Responsibility and Policies

-  1. A nonprofit has a responsibility to ensure that its assets are used solely for the benefit of the organization and not for personal or other gain.  
-  2. A nonprofit has one or more board members with an understanding of the organization's finances. A nonprofit may have a finance or audit committee that includes board members who are well-trained and informed to understand financial statements and annual tax filings. The board member(s) with this understanding or the finance/audit committee guides the full board to ask questions that enable them to understand and monitor the financial condition of the organization.
-  3. The board of directors annually reviews the percentages of the organization's resources spent on programs, administration, and fundraising. It is management's responsibility to meet strategic and budgetary goals set by the board, including the allocation of dollars among these functional categories. The board influences that allocation through its strategic goals and the final approval of the budget.
-  4. A nonprofit creates, approves and adopts the organizational budget and operates the organization in accordance with this budget. The budget is regularly reviewed for necessary budget amendments throughout the year, depending on actual results and changes in strategic direction during the year. In the event of unexpected results, the board of directors is made aware of this outcome and participates fully in determining a plan to amend or restore the budget to its approved state.
-  5. A nonprofit spends an appropriate percentage of its annual budget on programs in pursuance of its mission. Expense allocation represents the mission and activities of the nonprofit. There is a wide range of acceptable expense allocations within the nonprofit sector. A nonprofit consults industry and subsector standards to determine an appropriate range for administration and fundraising ratios. An organization also provides sufficient resources for effective administration of the organization and, if the organization solicits contributions, for appropriate fundraising activities. Each organization considers relevant industry subsector data to determine the reasonableness of its expense allocations.
-  6. A nonprofit considers bequests, planned gifts, and pledges when determining the annual budget but does not deploy these dollars for program expenditures until the gift is actualized.

-  7. A nonprofit establishes and maintains a financial reserve sufficient to sustain its operations for a period of time should a significant loss of funding occur until replacement funding can be obtained. In addition, budgeting for a financial reserve allows nonprofits to meet other short- and long-term goals. While three to six months' reserve is considered a minimum, the target reserve amount is based on a risk assessment rather than an arbitrarily set figure. In addition to risk mitigation, budgeting for a financial reserve is a prudent practice that allows nonprofits to meet other short- and long-term goals.
-  8. Nonprofits have written financial policies that are adequate for the size and complexity of the organization and are periodically reviewed and updated. These policies address investment of the assets of the organization, gift acceptance, purchasing, unrestricted current net assets, loans/lines of credit and internal controls to prevent error, fraud, theft or mismanagement.
-  9. A nonprofit that invests has a board-approved investment policy that outlines the acceptance and use of gifts of appreciated securities and ensures responsible investment of funds in accordance with all legal requirements. The policy is periodically reviewed and updated.

-  10. A nonprofit periodically assesses its risks and purchases appropriate levels of insurance to manage its liability prudently. General liability coverage and Directors and Officers liability insurance are strongly recommended. A board-approved risk management policy is developed and then reviewed and updated periodically.
-  11. A nonprofit must follow legal obligations as stewards of donated funds to expend donated funds responsibly and to ensure the funder's intent is fulfilled according to the funder's wishes and requirements.

-  12. A nonprofit follows ethical obligations as stewards of donated funds to expend donated funds responsibly and to ensure the funder's intent is fulfilled according to the funder's wishes and requirements.
-  13. A nonprofit develops guidelines for use of donated funds for programs that are subsequently discontinued. These guidelines include a statement that the donor will be informed that such redirections may occur as is practical upon acceptance of the bequest/gift. *Also in "Fund Development"*



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- 14. A nonprofit must have a system in place that allows individuals to report misconduct without fear of consequences (commonly referred to as a “whistleblower policy”). Retaliation against whistleblowers or destruction of records related to a government investigation may be in violation of federal law.  
- 15. A nonprofit, with board approval and full knowledge of its legal obligations and liabilities, may undertake responsibility for fiscal sponsorship of another organization. *Also in “Strategic Alliances”* 

Financial Reporting

- 16. A nonprofit must annually file an applicable Internal Revenue Service Form 990 according to its annual gross receipts and any state filings as required. *Also in “Governance”*   
- 17. The board of directors performs a meaningful review of Form 990 prior to filing. *Also in “Governance”* 
- 18. A nonprofit’s accounting system tracks functional expenses for reporting on the 990 and generates accurate and relevant financial reports, which include the comparison of actual to budgeted revenue and expense and a year-to-year comparison that identifies and explains any significant variances. These reports are provided to the board of directors for regular review and discussion, preferably no less than quarterly. The full board monitors actual performance against the budget. 
- 19. A nonprofit with annual total revenues in excess of \$500,000 subjects its financial reports to an annual audit by a certified public accountant. A nonprofit with revenues under this threshold or exempted by law considers conducting an outside review of its finances annually. 



Photo above:
Eagle Mount, Bozeman

Opposite:
Adventure Cycling,
Missoula

stewards

- ★ 20. Nonprofits that conduct audits consider establishing an audit committee that does not share members with the finance and/or executive committees. In any case, a committee or subcommittee of the board composed of independent directors oversees the audit function. The committee responsible for the audit has the opportunity to meet with the auditor without the management of the nonprofit being present. Every member of an audit committee is able to read and understand an external audit or financial review report.
- ★ 21. Financial audits and other financial reporting forms are approved by the organization's board of directors and are verified and certified by the organization's Chief Executive Officer and Chief Financial Officer to ensure they are accurate and filed in a timely manner. An organization under the \$500,000 threshold, however, meets all requirements of federal, state, local, and/or private granting entities.
- 🔨 22. A nonprofit is required to make its annual tax returns and tax exemption documents available to the public. *Also in "Accountability, Transparency, and Disclosure"* 🏛️



“...an obligation to act as responsible of financial resources...”

THE ELEVEN PRINCIPLES

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PRINCIPLE: FUND DEVELOPMENT:

NONPROFIT ORGANIZATIONS PLAY an important societal role as one vehicle for philanthropy. As an intermediary between donors and the community, nonprofits have ethical and legal obligations to fulfill donor intent and expend donated funds to further the organization's mission. Nonprofits know and understand the law, and fund development is conducted according to the law and in keeping with the highest ethical standards. Nonprofits adopt clear policies to ensure all aspects of fund development are carried out legally, ethically, transparently and with integrity.

PRACTICES: General

-  1. A nonprofit has a clearly defined, written fund development plan that guides fund development activities and supports the organization's comprehensive organizational plan. It is strategic and central to all organizational planning.
-  2. A fund development plan includes goals, strategies, target audiences, time frames, tools, expenses, role assignments, and a means to evaluate results.

Ethics, Responsibilities and Policies

-  3. A nonprofit's board and its executive leaders are familiar with the Association of Fundraising Professionals' Code of Ethical Standards, available at www.afpnet.org and, through adequate management and supervision, ensure that all fundraising professionals acting on behalf of the organization adhere to these principles and standards. Anyone who is affiliated with or employed by the nonprofit who engages in fund development activities familiarizes themselves with the Code of Ethical Standards.
-  4. To foster and maintain the public's trust, a nonprofit seeks funds to accomplish their work and only uses funds in the manner for which the funds were solicited. When appropriate, reserve accounts and endowments are established to support the financial sustainability of the organization and its mission.
-  5. A nonprofit must honor the donor's intent for their gift. To the extent that the donor's intent is not compatible with and does not contribute to fulfilling the organization's mission or if a gift cannot be so characterized or if accepting it will create problems or a mission conflict for the organization or its constituents, then the nonprofit must respectfully decline the gift. ■
-  6. Per their means, board members make personal financial contributions to the nonprofits they serve. In addition, board members engage in activities that raise and/or generate funds from external sources. Also in "Governance"
-  7. Fund development communications include clear, accurate, and honest information about the organization, its activities, and the intended use of funds. Fund development materials and other communications with donors, constituents and the public must clearly identify the organization. ■

Photo opposite:
Billings Public Library

- ★ 8. A nonprofit regularly reviews and updates its fund development messaging to ensure it respectfully and thoughtfully reflects historic and current lived experiences of its constituents.
- 👉 9. A nonprofit must comply with laws concerning Do-Not-Call Lists. Use of telemarketers are subject to additional regulation and prohibitions. 🇺🇸 🏛️
- 👉 10. A nonprofit must comply with all charitable solicitation laws (including registration if applicable) when soliciting funds from donors in Montana and other states. *Multi-State Law*
- 👍 11. A nonprofit adopts and regularly reviews policies that govern the acceptance, receipt, utilization, management, and disposal of charitable gifts and grants.
- 👉 12. A nonprofit must comply with disclosure laws regarding quid pro quo contributions when a donor receives something of value in return for a contribution. 🏛️
- 👉 13. A nonprofit must comply with laws concerning fundraising raffles or other games of chance, including reporting for tax purposes. 🇺🇸 🏛️
- 👍 14. The Association of Fundraising Professionals' Code of Ethical Standards requires that compensation for fundraising personnel and consultants not be based on a percentage of funds raised or on other commission-based formulas. A nonprofit reviews and considers adopting a compensation policy in compliance with this Code.



Accountability to Donors

- ★ 15. A nonprofit publicly recognizes charitable contributions and, at the same time, is mindful of maintaining donor confidentiality when needed and/or requested by the donor. A nonprofit reviews and considers adopting the Association of Fundraising Professionals' Donor Bill of Rights to inform donor and organization expectations and policies with regards to donors and their contributions.
- 👍 16. A nonprofit practices appropriate donor stewardship. A nonprofit regularly communicates with donors regarding its activities and the impact of charitable support and makes that information available by multiple means.

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Photo above:
Montana Conservation Corps,
Bozeman

👍 17. A nonprofit has a written policy that governs stewardship of donors and gifts. This policy addresses internal and public acknowledgement of gifts and donor information, a threshold for recognizing gifts, and the sale and/or sharing of donor information.

👉 18. A nonprofit must promptly acknowledge charitable gifts by providing donors with required federal gift substantiation and report subsequent dispositions of donated assets. 🏛️

👍 19. A nonprofit develops guidelines for use of funds donated by bequest for programs that are subsequently discontinued. *Also in "Financial Management"*

Alternative Fund Development Strategies

👍 20. Nonprofits understand that contributed income may not fully fund its mission; therefore, nonprofits investigate opportunities to diversify their revenue sources.

👍 21. Decisions regarding alliances are consistent with the strategic goals of an organization; the impact on the brand and image of the organization should be positive. A nonprofit carefully considers how entering into strategic alliances will affect all parties involved. Strategic alliances are never made purely to meet funding challenges and are made only between competent, collaborative and functioning organizations. *Also in "Strategic Alliances"*

👍 22. When considering alternative fund development strategies, a nonprofit analyzes the organizational, financial, and beneficiary impact along with its potential consequences to fulfilling its stated mission.

👍 23. In forming a joint venture or alliance, the parties actively clarify expectations, roles and capacity of the venture/alliance; consider the values, mission and brand; and create processes for conflict, resolution, recognition, promotion and future renegotiation of the venture/alliance. *Also in "Strategic Alliances"*

👍 24. A nonprofit regularly evaluates all joint ventures and alliances in terms of revenue generation, opportunity costs and operational impact.

👉 25. A nonprofit must identify, report, and pay tax on unrelated business income. 🏠🏛️

**PRINCIPLE:
GOVERNANCE AND
LEADERSHIP:**

THE NONPROFIT BOARD OF DIRECTORS is the organization's fiduciary steward and strategic leader. As such, the board is responsible to maintain public trust and assure the organization's mission is met legally, effectively and efficiently. A board of directors can be effective in fulfilling its goals and expectations only when a clear shared understanding of its role and responsibilities is established and cultivated. Boards only have power when they speak together through a corporate motion. A nonprofit board considers the organization and its mission from a holistic perspective as it makes sense of the past, looks toward the future, provides strategic leadership, sets policy and ensures the organization has adequate resources. Board members serve complex and multiple roles; they must understand and maintain boundaries between any volunteer roles they undertake to help with direct programs or services and their board role as a member of the governing body. The board provides support, direct oversight and direction for the Chief Executive Officer and is responsible for evaluating her/his performance, as well as approving competitive compensation. A nonprofit board also has a responsibility to regularly evaluate its own effectiveness—both collectively and as individual members—according to the organization's governing documents and board policies.

 **The Legal Duties of Nonprofit Boards of Directors**

Directors of nonprofit organizations are held to basic legal duties as a matter of state law, common law, and federal law. The core fiduciary duties are the duty of care, duty of loyalty, and duty of obedience to mission.

Duty of care—a director of a nonprofit organization shall discharge all his/her duties as a director, including those performed as a committee member:

- A. In good faith;
- B. With the care that an ordinarily prudent person in a similar position would exercise under similar circumstances; and
- C. In a manner the director reasonably believes to be in the best interests of the organization.

The duty of care entails a duty of reasonable inquiry. Each director is obligated to ask questions and demand information to allow him/her to have sufficient information and understanding to make decisions he/she reasonably believes are in the nonprofit's best interests. This duty means that the director must make time to attend meetings, and come prepared to participate.

Duty of loyalty—Directors are obligated to exercise an undivided and unselfish loyalty to the organization they serve. Directors must exercise their obligations and powers in the best interests of the organization and its charitable mission, not in their own interests or in the interests of another person or entity (even if charitable in nature). To assure that directors are operating within the scope of the duty of loyalty they are required to complete conflict of interest disclosures annually and acknowledge any conflict that may arise during the year.

Duty of obedience—Directors are obligated to further the mission of the organization they serve; to be faithful to its purposes and goals as defined by the articles of incorporation and bylaws; to act in conformity with all state, federal and local laws; and to obey board-approved organizational policies.

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 **All of the legal practices listed must comply with current statutes and be consistent with the nonprofit's articles of incorporation and its bylaws, with statute taking precedent.**

PRACTICES: General

-  1. The board of directors has ultimate legal responsibility for the welfare and actions of the nonprofit organization. All the organization's powers are exercised under the authority of the board. 
- ★ 2. The board assumes responsibility and accountability for healthy functioning, diversity of thought and representation, and culture.
- ★ 3. For the staffed nonprofit, directors do not manage the day-to-day affairs of the nonprofit. Instead, they delegate that function to others. Directors must, however, exercise credible, reasonable, and prudent oversight without personal bias in respect to corporate officers, agents, and employees to whom such affairs are delegated. Where board members might individually fulfill direct programmatic or member service roles, it is important to establish clear boundaries between the role of individuals when they volunteer in these support/direct mission fulfillment roles, and their role as a member of a collective decision-making governing body.
-  4. In the performance of his/her duties, a director may rely on information and reports received from officers or employees whom the director reasonably believes to be reliable and competent, as well as on professional advisors (e.g., attorneys and certified public accountants) and other persons with regard to matters the director reasonably believes are within the person's professional or expert competence. A director may also rely upon a committee of the board of directors of which the director is not a member as to matters within its responsibility, if the director reasonably believes the committee merits confidence. 
-  5. If urgent and necessary, a board may take an action without a meeting if the action is taken by all members of the board by written consent describing the action taken, which can be distributed and returned via e-mail or post, signed by 100% of the board members; this should occur rarely. The signed, written consents must be included in the nonprofit's minutes. If the action warrants discussion, the discussion takes place in person, by phone via a conference call or other interactive audio-visual communications technology prior to the action being approved. A committee of the board, such as an Executive Committee, also may be authorized by the board in the articles of incorporation or bylaws to act in place of the board in emergencies with some exceptions. 

Photo opposite:
*Far East/Far West: Montana's
Asian Sisters,*
Helena Civic Television

Governing Documents

- 6. A nonprofit must file appropriate Form 1023 with the Internal Revenue Service to be recognized as tax exempt under federal law as a 501(c)(3) organization. Excepted from this requirement are churches, synagogues, temples, and mosques. 
- 7. A nonprofit is required to file articles of incorporation and all amendments with the Montana Secretary of State. 
- 8. A nonprofit is required to maintain current bylaws. 
- 9. A nonprofit must file for state nonprofit tax exempt status certification through the Montana Department of Revenue. 
- 10. A nonprofit is required to file a current annual report with the Montana Secretary of State due by April 15. 
- 11. A nonprofit must annually file an applicable Internal Revenue Service Form 990 according to its annual gross receipts and any state filings as required. Also in “Financial Management”  
- ★ 12. The board of directors performs a meaningful review of Form 990 prior to filing. Also in “Financial Management”
- 13. A nonprofit that owns and uses real property for its charitable work must apply to the Montana Department of Revenue to receive exemption from property tax. 



Board Composition, Characteristics, and Qualifications

- ★ 14. The members of a nonprofit board are chosen to represent the best interests of the organization. The board defines what diversity means for the board and the organization. Diversity covers a range of characteristics and will look different from organization to organization; however, it reflects the diversity of the community and who the organization aspires to serve, including traditionally marginalized members of the community. Board diversity is critical to ensure a balanced approach toward service delivery and for an understanding of the community and targeted populations’ issues in the near- and long-term.

“...[a nonprofit board]
reflects the diversity
of the community...”

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Photo above:
Special Olympics
Law Enforcement Torch Run,
Ravalli County

Opposite:
Helena Industries,
Helena

- ★ 15. A substantial majority of the board of directors of a nonprofit, usually meaning at least two-thirds of the members, are independent. The Internal Revenue Service defines independent individuals as those:
 - a. Who are not compensated by the organization as an employee or independent contractor;
 - b. Whose compensation is not determined by individuals who are compensated by the organization;
 - c. Who do not receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization; and
 - d. Who are not related to (as a spouse, sibling, parent or child), or do not reside with any individual described above.
- ⚖️ 16. A nonprofit must have a minimum of three board members. ■
- ★ 17. A nonprofit board of directors has at least five persons, unrelated to each other or to staff, to ensure appropriate deliberation and diversity.
- ★ 18. The executive director or other staff may be members of the board of directors; however, due to conflicts of interest, the executive director or other staff are not voting board members.
- ⚖️ 19. The officers of a nonprofit are designated in the bylaws and/or articles of incorporation. ■
- ⚖️ 20. Unless otherwise provided in the bylaws or articles, a nonprofit has a president, secretary, treasurer, and other officers appointed by the board of directors. ■
- ⚖️ 21. A person may simultaneously hold more than one office in a corporation; however, it is not recommended for the board president to hold more than one office to allow for distribution of power. ■
- ⚖️ 22. A nonprofit may not lend money to, or guarantee an obligation of, a director or officer of the corporation. ■
- ★ 23. Although monetary compensation for board members is not prohibited by law, in general nonprofit board members do not receive monetary compensation for their board duties other than reimbursement for board-related expenses.

- 24. If a board member is hired for professional services, compensation for the services must be reasonable.”  
- ★ 25. If a board member is hired for professional services, the board of directors determines that the board member is qualified and that the compensation is reasonable based on comparable data prior to approving and paying the compensation. The board member to be hired, and any other board members with a conflict of interest in the decision, recuse themselves. The basis for the board’s determination, the recusals, and approval is promptly documented in board minutes.
- 26. Board member term lengths and limits are designated in the bylaws or articles.  



Board Responsibilities

- ★ 27. The board of directors, along with staff, actively participates in developing plans to accomplish the organization’s mission, annually or as determined by the board. The board oversees the implementation of the plan and evaluates its success.
- ★ 28. Board meetings are to be held at least quarterly. Board members are expected to attend all meetings preferably in person or via interactive technology such as conference calls or audio-visual software.
- 29. A nonprofit corporation must keep as permanent records minutes of all committee, board, and special meetings and financial and membership information.  
- ★ 30. The board of directors establishes and leads a process for selecting new board members with input from the executive director. The process ensures adequate infusion of new ideas and community perspectives, while preserving institutional memory.
- ★ 31. Directors articulate prerequisites of board membership to prospective board members; new and prospective board members are provided with a position description that includes clearly stated expectations, a history of the organization, and a description of current programs. Board members fully understand their roles and responsibilities to the organization and to the public; they are prepared to articulate the organization’s mission and vision and describe its programs to the public. The executive director/CEO ensures that board members are provided regularly with information about current programs and activities that will strengthen the board members’ role as organizational ambassadors.

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- 32. The articles of incorporation and bylaws are legal governing documents of the organization; board members familiarize themselves with the articles of incorporation and bylaws upon joining the board, and refer to and follow the bylaws when there is question about action in board meetings.  
- 33. The board regularly reviews and, if appropriate, updates the bylaws. 
- 34. New board member orientation is conducted before a board member is expected to attend a meeting and vote on board business. The orientation is led primarily by board members with a focus on board roles, responsibilities, expectations, and key organizational questions. 
- 35. At least biannually, the board of directors reviews the organization's articles of incorporation and bylaws, mission statement, and governance policies and amends each as needed to reflect organizational growth and development. The nonprofit considers if the amendments to the organizing documents meet the disclosure requirement on the 990. 
- 36. A nonprofit's board of directors assumes overall responsibility for ensuring sufficient resources are raised to meet the organization's budgeted objectives. 
- 37. As fiduciary stewards of the organization and to set an example for all stakeholders, all board members make an annual financial contribution to the organization that is generous within their means. In addition, board members engage in activities that raise and/or generate funds from external sources. *Also in "Fund Development"* 
- 38. The board of directors reviews and approves an annual budget for the organization. The board is responsible for ensuring administrative and fundraising costs are realistic and are not unreasonably disproportionate to program expenditures. *Also in "Financial Management"* 
- 39. When approving an annual budget, the board reviews and approves an annual operational plan and fund development plan. 
- 40. When hiring a new chief executive, the board of directors establishes a hiring plan that supports the comprehensive organizational plan and identifies the skills and experience needed to meet long-term goals. 

Photo above:
Eagle Mount, Bozeman

Opposite:
Intermountain, Helena

- 👍 41. The board of directors conducts an annual outcome-based performance review of the chief executive. The chief executive's performance is assessed in light of organizational accomplishments.
- 👉 42. A nonprofit's board of directors or its designees must set reasonable compensation for the organization's chief executive; such compensation includes salary, raises, bonuses, and other benefits. *Also in "Employees and Volunteers"* 🏛️
- ★ 43. The board of directors determines that the compensation is reasonable based on comparable data, and reflects the chief executive's qualifications and performance, prior to approving and paying the compensation. Any board members with a conflict of interest in the decision recuse themselves. The basis for the board's determination, the recusals, and approval is promptly documented in board minutes. They also stay informed about the compensation of other key personnel. *Also in "Employees and Volunteers"*
- 👍 44. The board of directors establishes a temporary organizational transition for planned or unplanned absences and succession plan to maintain daily operation during the time of a change in executive or board leadership.
- ★ 45. The board of directors develops organizational policies as recommended throughout the Principles and Practices, including policies that guide how the board will govern and policies that are listed in Form 990, Part VI.



“...the board is responsible to maintain public trust and assure the organization's mission is met legally, effectively and efficiently..”

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WISDOM FROM THE FIELD:

Recommended term lengths

are two or three years.

Recommended term limits

are a total of six years (3 2-year

terms or 2 3-year terms) plus

any vacancy the individual filled.

-  46. Directors and officers must recuse themselves when they have a conflict of interest regarding a transaction over which they have authority on behalf of the nonprofit. Also in “Accountability and Transparency”  
-  47. To assist directors and officers in recusing themselves when they have a conflict of interest, the board of directors adopts a written conflict of interest policy regarding board members, staff, volunteers, consultants, and other contractors and adheres to this policy in all dealings. The conflict of interest policy clearly outlines potential conflicts and procedures for disclosure and dealing with conflicts; it provides for review by members of the board not involved in the conflict. Each director reviews, updates, and signs his/her conflict of interest statement annually. Potential conflicts are monitored and the conflict of interest policy is enforced in the event of a conflict.
-  48. The board of directors establishes and implements a Code of Conduct and Code of Confidentiality governing the professional behavior of board members, including a requirement that every director publicly support actions taken and decisions made by the board and a requirement to keep corporate plans and actions along with donor and client information confidential.
-  49. As organizational leaders, the board assures that there is a clearly defined set of organizational values. It is the board’s responsibility to emulate these values in all their actions and to ensure that these values guide organizational and staff decisions and actions.
-  50. Board members are provided an opportunity annually to evaluate and collectively review their individual goals; participation; educational and skill development needs; and the overall effectiveness of the board of directors as a whole.
-  51. The Montana State Attorney General oversees charitable nonprofits in Montana. Dissolution, disposal of all or substantially all assets, and specified mergers must be reported to the Montana Attorney General. 

Photo above:
ExplorationWorks!,
Helena

**PRINCIPLE:
HUMAN RESOURCES:
EMPLOYEE & VOLUNTEER:**

EFFECTIVE MANAGEMENT OF HUMAN RESOURCES is essential for achieving successful organizational success. Nonprofits adopt and follow fair and equitable human resource and volunteer management practices to attract and retain qualified individuals. Nonprofits must adhere to all legal employment practices and provide a safe work environment. Nonprofit organizations establish specific policies and practices that promote mutual cooperation to advance the organization’s interests and that reflect appropriate industry standards for remuneration.

Additional legal, essential and recommended Employee and Volunteer practices are hosted online in the Montana Nonprofit Association’s Resource Library at www.mtnonprofit.org/ResourceLibrary/.

**PRACTICES:
Recruitment, Retention, and Succession**

-  1. A nonprofit must comply with all local, state, and federal employment laws in hiring and employing personnel. 
-  2. A nonprofit and its board of directors must establish and abide by an encompassing equal opportunity employment policy. 
-  3. A nonprofit aspires to expand these protections to reflect an inclusive environment for staff, volunteers, and constituents to deliberately reflect the diversity of the community. A nonprofit upholds the inherent dignity of all individuals and sets a tone for all individuals to be treated fairly and with respect.
-  4. A nonprofit’s board of directors or its designees must set reasonable compensation for the organization’s chief executive; such compensation includes salary, raises, bonuses, and other benefits. *Also in “Governance”* 
-  5. The board of directors determines that the compensation is reasonable based on comparable data and reflects the chief executive’s qualifications and performance prior to approving and paying the compensation. Any board members with a conflict of interest in the decision recuse themselves. The basis for the board’s determination, the recusals, and approval is promptly documented in board minutes. They also stay informed about the compensation of other key personnel. *Also in “Governance”*
-  6. A nonprofit must establish its compensation structure to ensure all individuals are given equal pay for equal work. 
-  7. A nonprofit must determine the status of any individual providing services in return for compensation (employee or independent contractor as defined by federal and state law), and timely pay and withhold all applicable state and federal employment taxes. 
-  8. A nonprofit uses the skills of individuals—employees or volunteers—who are suited for the positions they occupy and who are committed to the goals, values, and objectives of the organization.
-  9. A nonprofit strives to employ staff and use the abilities and talents of volunteers who reflect the diversity of the community and the constituents it serves and aspires to serve, as appropriate to advance program effectiveness.

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- ★ 10. A nonprofit has a formal orientation program for new employees. It includes, at a minimum, the history and mission of the organization, personnel policies and procedures, criteria for standards of performance, and all state and federally mandated employee training programs. Similar practices are implemented for volunteers.
- 👍 11. A nonprofit supports the education and professional development of personnel and provides employees with opportunities for growth and advancement.
- 👍 12. A nonprofit encourages and provides opportunities for professional development training on cultural competency, diversity, and inclusion for staff, volunteers, and board members; provides mentoring that affirms individuality; and manages toward inclusion.
- ★ 13. A nonprofit provides employees with clear, current job descriptions and the tools needed to produce quality work. Similar practices are implemented for volunteers. These position descriptions reflect and state the nondiscrimination policy of the organization.
- ★ 14. In addition to ongoing consistent dialogue with staff, a nonprofit annually evaluates the job performance of staff, provides guidance, and articulates goals, objectives and expectations; it also provides clear and equitable procedures for taking disciplinary action.
- 👍 15. A nonprofit has a system in place for the succession of employees, separate from a transition plan, most notably for the chief executive and key board leadership.

“...fair and equitable practices attract and retain qualified individuals...”

Photo above:
Special Olympics of
Montana, Great Falls

Opposite:
Special K Ranch,
Columbus



Human Resources Policies

- ★ 16. A nonprofit adopts a set of specific policies and procedures for employees and another for volunteers.
- ★ 17. A nonprofit maintains a personnel file with a separate secure file with any medical information for each employee.
- 👉 18. A nonprofit must establish employee record(s) retention policies and procedures that are consistent with applicable laws. 🇺🇸 🏛️
- ★ 19. A nonprofit also establishes employee record(s) retention policies and procedures that are consistent with best industry and subject practices.
- 👉 20. When required, nonprofits must conduct and use background checks for certain positions in compliance with state and federal law. 🇺🇸 🏛️
- ★ 21. In addition, nonprofits conduct background checks on staff and volunteers who come in contact with vulnerable populations, who perform financial duties, or who serve in other sensitive areas in addition to what is required by law.
- 👉 22. Nonprofits must provide a safe work environment that is free from illegal discrimination and harassment. 🇺🇸 🏛️
- ★ 23. A nonprofit provides a healthy and affirming work environment as well.
- 👉 24. A nonprofit defines employment as “at-will” during the defined probationary period. If an employer does not establish a specific probationary period or provide that there is no probationary period prior to or at the time of hire, there is a probationary period of 6 months from the date of hire. Upon completion of the defined probationary period, a nonprofit must demonstrate “good cause,” as outlined in state law, to legally terminate employment. 🇺🇸



THE ELEVEN PRINCIPLES

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PRINCIPLE: INFORMATION AND TECHNOLOGY:

A NONPROFIT MUST MANAGE INFORMATION in a manner consistent with confidentiality, safety, accuracy, integrity, reliability, cost-effectiveness, and legal compliance. A nonprofit uses appropriate technology to enhance capacity and thereby improves its efficiency, effectiveness, and accuracy in achieving its mission.

PRACTICES: Information Management and Policies

- ★ 1. A nonprofit has in place information systems, including but not limited to accounting and financial management; evidence of regulatory compliance; program evaluation; fund development and donor management; community outreach; and public relations, that provide timely, accurate, and relevant information.
- 👍 2. A nonprofit has technology use, confidentiality and security policies that address staff and board use and that prescribe how all organizational information is accessed, gathered, stored, and transmitted; how client and sensitive information is kept secure; how accuracy is maintained; how and what information is backed up; and to whom information is made available.
- 🏛️ 3. A nonprofit retains relevant documents if it receives notice of pending or actual litigation or government audit or investigation or if it appears reasonably foreseeable that such litigation, audit, or investigation, may occur. 🇺🇸 🏛️
- ★ 4. A nonprofit has and adheres to a written document retention and periodic destruction policy that includes guidelines for handling documents (physical and electronic files, e-mail messages and voice-mail); disposition of documents; legal hold procedures that prohibit destruction when required; procedures to remove network and physical access of former employees; back-up procedures; archiving of documents; and regular inspections of the reliability of the system.
- ★ 5. A nonprofit addresses the appropriate use of mobile technology for organizational work and information.
- 🏛️ 6. Along a spectrum, a nonprofit must increase the level of cyber security with increased data sensitivity so that data is not compromised. A higher level of cyber security must occur, for example, with data that is subject to the security rule under Health Insurance Portability and Accountability Act (“HIPAA”). 🇺🇸 🏛️
- ★ 7. A nonprofit considers the sensitivity of all data stored on populations it directly or indirectly serves, as well as clients, donors, staff and volunteers, and implements reasonable cyber security to protect it. For example, applicable Payment Card Information (“PCI”) Security Standards may require a higher level of cyber security for credit card information.

Photo opposite:
Ecology Project International,
Missoula

Technology

-  8. A nonprofit designates responsibility for maintaining the organization's information systems to more than one staff person, volunteer, or board member; one person is primarily responsible and at least one other person is the back-up. All staff have ongoing training to use the systems relevant to their work.
-  9. A nonprofit has a written technology plan integrated into its short- and long-term strategic and operational plans. The plan includes annual assessment of technology capacity and effectiveness and provides for budgeting, funding and a schedule for deployment of necessary technology acquisition and upgrades, as well as provisions for staff training.
-  10. A nonprofit invests in appropriate telecommunications equipment, hardware, software and online platforms to enhance its ability to achieve its mission. Technology equipment is appropriately depreciated and replaced.
-  11. A nonprofit ensures its electronic and information technology is accessible to staff and volunteers and reasonable accommodations are made.
-  12. A nonprofit allocates sufficient resources to train its employees and volunteers in its technology equipment use and maintains and services that equipment. A nonprofit also ensures that its support agreements are up-to-date. A nonprofit fosters engagement in system development and allows individuals who will work in-house to understand, experiment, and champion system advancement and adoption. Increasing the use of a system maximizes the investment in that system.
-  13. Nonprofits provide effective, consistent, and sustainable technology support so that staff and volunteers are able to use and maintain the information systems required for them to fulfill the organization's mission. The support may range from in-house paid staff to tech savvy volunteers to external consultants.
-  14. A nonprofit has a catastrophic recovery plan; uses reasonable security measures, such as off-site electronic back-up, virus protection (updated regularly), and firewalls; and considers cloud-based technology solutions. It develops and regularly updates its website and maintains e-mail accounts. To the extent possible, back-up processes should be automated and the back-ups should exist in a location outside of the office.
-  15. A nonprofit creates and maintains documentation on the current configuration of its technology infrastructure including user credentials to access mission-critical websites, software licensing agreements, network topology diagrams and a thorough inventory of key hardware including computers & printers.



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PRINCIPLE: PLANNING:

ORGANIZATIONAL PLANNING IS A PROCESS through which a nonprofit defines and sets short- and long-term goals, priorities and the strategies and activities it will employ to fulfill its mission. A holistic plan includes strategies for building organizational capacity and sustaining or growing programs and resources, including board and staff members. Planning focuses stakeholders around the mission. Planning is ongoing rather than occasional and requires input from a diverse cross-section of stakeholders to assure the organization's programs continue to meet the needs of its communities and constituencies. Planning is the most central aspect of nonprofit management and leadership for nonprofit board and staff members alike, and is central to sound decision-making.

PRACTICES: Vision, Mission, Values

- ★ 1. Originally defined by its founders or its initial board of directors, a nonprofit's vision, mission, and value statements are regularly reviewed by the board of directors, taking into consideration societal and community changes. This review determines whether these statements are still relevant or should be amended to address evolving needs of its target constituents and the communities at large.
- ★ 2. For a nonprofit organization to have a coherent and consistent set of programs, the board of directors and the staff are able to articulate a shared vision and mission for the organization that guides the establishment of its goals and objectives and the selection of strategies for obtaining them.

Assessment and Planning

- ★ 3. For organizational planning to be effective and to remain responsive and relevant to community needs, a nonprofit must seek and incorporate input from a variety of sources, such as staff, the board of directors, donors, constituents, and a diverse cross-section of stakeholders, including those traditionally marginalized.
- 👍 4. Organizational planning is intentional and ongoing, with clear metrics and measurable outcomes that reflect the organization's mission and allow continuous learning and improvement.
- 👍 5. A nonprofit conducts periodic evaluations of the effectiveness and impacts of the services it is providing, extracts lessons from those evaluations, and uses them to plan, direct, and strengthen future deployments of nonprofit and community resources. A nonprofit may consult with counterparts in its field to devise its evaluation. Legal, Essential and Recommended practices related to Evaluation are found in the Evaluation principle.

Photo opposite:
Homeward,
Missoula

- 👍 6. A nonprofit develops and adopts a comprehensive plan that drives everything the organization does—programmatic activities, operations, financial management, fund development, communications, and risk and crisis management.
- The plan incorporates information obtained through an assessment of community needs, the organization’s strengths and resources available to meet those needs, and the challenges it faces in pursuing its mission.
 - The plan includes clearly defined goals, objectives, and expected outcomes that are quantifiable, measurable, and achievable given the magnitude of the services to be provided and the organization’s staffing, infrastructure, and financial resources.
 - The plan identifies specific programmatic activities designed to achieve organizational goals, objectives, and outcomes; timelines for their implementation; and those accountable for achieving them.
 - The plan incorporates a budget that is realistic in terms of anticipated programmatic, operational, and administrative expenses, as well as expected revenues.
 - The plan is a useful management tool for measuring progress toward achievement of goals and outcomes and, as such, provides a framework for regular progress reports, reviews, and revisions.
 - The plan is flexible enough to allow the board of directors and staff to take advantage of emerging opportunities and to adapt to unanticipated challenges.



“...a process of defining and setting goals, priorities and strategies...”

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PRINCIPLE: STRATEGIC ALLIANCES:

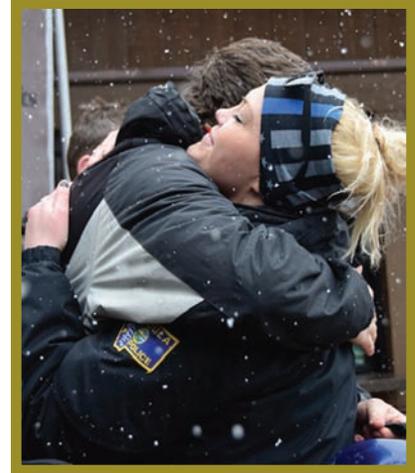
STRATEGIC ALLIANCES CAN TAKE MANY FORMS, including the sharing of information and resources, partnerships, collaborations, consolidations, and mergers with nonprofit and for-profit entities. Strategic alliances help to strengthen individual nonprofit capacity, as well as the capacity of the sector as a whole. Strategic alliances and partnerships with public and private sector entities can serve to fill in gaps in services to constituents and communities and better use available resources.

PRACTICES:

- ★ 1. A nonprofit actively seeks strategic alliances as a means to help achieve goals, improve effectiveness and organizational efficiency, ensure effective use of charitable resources, strengthen community connections with constituents and others, and improve services.
- ★ 2. Decisions regarding alliances are consistent with the strategic goals of an organization; the impact on the brand and image of the organization should be positive. A nonprofit carefully considers how entering into strategic alliances will affect all parties involved. Strategic alliances are never made purely to meet funding challenges and are made only between competent, collaborative, and functioning organizations. *Also in "Fund Development"*
- 👍 3. On a regular basis, a nonprofit board of directors conducts a community assessment to identify organizations providing similar services and to assess its relationship to/with those organizations.
- ★ 4. A nonprofit is knowledgeable about other organizations providing similar or complementary services in its community and/or service area and is prepared to identify, promote and provide referrals to other organizations that may be better able to meet the needs of its constituents, reducing duplication of services and competition for resources.
- 👍 5. When appropriate, nonprofits foster relationships with similar organizations and state, regional and national associations to support mission advancement. Nonprofits participate as actively as possible in local community events, mission-related networks, public gatherings and other parts of community life.
- 👍 6. When appropriate, nonprofits assist one another through alliances and resource sharing.
- 👍 7. To promote overall accountability within the nonprofit sector, a nonprofit openly communicates with peer organizations to gather and share lessons learned and best practices.
- 👍 8. Nonprofits consider consolidations and/or mergers when it preserves or promotes best interest of the constituents, community, service area or nonprofit mission.
- 👍 9. Nonprofits that have local chapters, branches, or affiliates have written policies and procedures governing the activities of those chapters, branches or affiliates to ensure their operations are consistent with the mission of the governing organizations.

Opposite:
Special Olympics of Montana,
Great Falls

-  10. If a nonprofit organization is anticipating a strategic alliance, partnership, or similar interaction with a for-profit entity, the nonprofit must determine the specific tax implications that may be related to the income associated with the venture and any potential impact on its tax exempt status. 
-  11. A nonprofit works to establish communication with and mutual understanding among and across government, nonprofit and for-profit sectors.
-  12. A nonprofit proactively seeks opportunities to participate in a spectrum of alliance activities, as resources and capacity allow, from coordination and collaboration to multi-sector collective impact initiatives, which align data, practices and communication to address complex community-wide challenges.
-  13. A nonprofit values and practices inclusion, diversity and equity and therefore seeks input from people with various perspectives who have lived experience in the conditions the nonprofit strives to impact; the input is sought to both identify challenges and to develop potential approaches and solutions. Input is sought to identify challenges, barriers and potential solutions as well as ways to mitigate barriers.
-  14. A nonprofit recognizes the benefit a skilled facilitator and trusted convener play in increasing a community's collective ability to align their efforts and/or create alliances. The nonprofit helps identify and develop this type of resource as needed.
-  15. Nonprofits consider fiscal sponsorship under appropriate circumstances on behalf of organizations where the partnering entity will 1) fit with mission and scope of the sponsoring organization; 2) be consistent with long-term goals of the sponsoring organization; 3) complement or enhance the mission and goals of the sponsoring organization; and 4) allow both organizations to reach populations currently not served or underserved. *Also in "Governance"*
-  16. In its alliances within and outside the nonprofit sector, a nonprofit actively clarifies expectations, roles and capacity within the partnership/alliance; ensures it retains its ability to uphold its values, mission and brand in the partnership; and creates a process for conflict processes for conflict, resolution, recognition, promotion and future renegotiation of the venture/alliance. *Also in "Fund Development"*
-  17. When considering or engaging in strategic alliances, nonprofits are candid with funders about the true opportunity costs of collaborative efforts and openly discuss the potential for funding of those costs.





The additional **website resources** for the Principles and Practices are so helpful!

Resources, sample policy templates and technical assistance are available on MNA's website, www.mtnonprofit.org/ResourceLibrary and by phone.

National Resources

American Evaluation Association
www.eval.org

Association of Fundraising Professionals
www.afpnet.org

Better Business Bureau's
Wise Giving Alliance
www.give.org

Blue Avocado
www.blueavocado.org

Board Source
www.boardsource.org

Chronicle of Philanthropy
www.philanthropy.com

Community Tool Box
www.ctb.ku.edu

CompassPoint
www.compasspoint.org

Corporation for National
& Community Service
www.nationalservice.gov

Grants.gov
www.grants.gov

Free Management Library
managementhelp.org

GrantStation
www.grantstation.com

Guidestar
guidestar.org

Independent Sector
www.independentsector.org

Internal Revenue Service
www.irs.gov/charities

National Center for Charitable Statistics
nccs.urban.org

National Council of Nonprofits
www.councilofnonprofits.org

Nonprofit Finance Fund
www.nonprofitfinancefund.org

Nonprofit Risk Management Center
www.nonprofitrisk.org

Nonprofit VOTE
www.nonprofitvote.org

Society for Human Resource
Management
shrm.org

TechSoup
www.techsoup.org

The Foundation Center
www.foundationcenter.org

USA.gov
www.usa.gov

US Equal Employment
Opportunity Commission
www.eeoc.gov

Montana Resources

Big Sky Institute for the Advancement
of Nonprofits
www.bigskyinstitute.org

Endow Montana
www.mtnonprofit.org/endowMontana

Montana Campus Compact
www.mtcompact.org

Montana Community Foundation
www.mtcf.org

Montana Commissioner of
Political Practices
www.politicalpractices.mt.gov

Montana Department of Justice
<https://dojmt.gov/>

Montana Department of Labor
and Industry
www.dli.mt.gov

Montana Department of Revenue
revenue.mt.gov

Montana Legislature
leg.mt.gov

Montana Office of Community Service
serve.mt.gov

Montana Secretary of State
www.sos.mt.gov

Montana Shares
www.montanashares.org

Montana Society of Certified
Public Accounts
www.mscca.org

University of Montana Online
Nonprofit Management Program
umonline.umt.edu/nonprofit-administration/default.php

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