



Principles & Practices for Nonprofit Excellence

A guide for nonprofit staff and board members

MINNESOTA
COUNCIL OF
NONPROFITS

The Principles of Nonprofit Excellence

Governance

A nonprofit's board of directors is responsible for developing, defining and reviewing the organization's mission and for providing overall leadership and strategic direction to the organization. Boards are not owners of the organization but are stewards of the organization's mission and resources. Each nonprofit board should actively set policy and ensure that the organization has adequate resources to carry out its mission, provide direct oversight and direction for the executive director and the organization as a whole, and evaluate its own effectiveness as a governing body, as a group of volunteers and as representatives of the community in upholding the public interest served by the organization.

Transparency and Accountability

Nonprofits have a legal and ethical obligation to their constituents and the public to conduct their activities with accountability and transparency. Nonprofits should regularly and openly convey information to the public about their mission, activities, finances, accomplishments and decision-making processes. Information from a nonprofit organization should be easily accessible to the public. It should establish external visibility and build public understanding and trust in the organization.

Financial Management

Nonprofits have an obligation to act as responsible stewards in managing their financial resources. Nonprofits must comply with all legal and financial requirements and should adhere to sound accounting principles that produce reliable financial information, ensure fiscal responsibility and build public trust. Nonprofits should use their financial resources to accomplish their missions in effective and efficient ways and should establish clear policies and practices to regularly monitor how funds are used. Nonprofit organizations should seek to maintain or sustain a business model that will offer reliable, flexible and diverse resources to accomplish the organization's mission.

Fundraising

Nonprofit organizations provide opportunities for individuals and institutions to voluntarily contribute to causes of their choosing. By engaging the interests and relationships of individuals, nonprofits can help develop a culture of philanthropy where people feel their values can be expressed and contributions effectively used to improve their communities. To honor this trust, nonprofits should be good stewards and conduct their fundraising according to the highest ethical standards with regard to solicitation, accep-

tance, recording, reporting and use of funds. Nonprofits should adopt clear policies for fundraising activities to ensure responsible use of funds and open, transparent communication with contributors and other constituents.

Evaluation

Evaluation is a distinct process, different from reporting to funders and other stakeholders. While reporting is largely an administrative task focused on accountability, evaluation is a strategic process focused on improvement. The evaluation process allows nonprofits to increase the effectiveness and efficiency of delivery of services. Each nonprofit should use evaluation to measure the impact of its actions, assess how those actions align with its mission, and act upon this information. The public also has a stake in nonprofit performance and is entitled to information regarding organizational results. Nonprofits should share evaluation results with their constituents and the public as well as use them to continually improve the quality of their processes, programs and activities.

Planning

The process of organizational planning sets the overall direction, activities and strategies a nonprofit uses to fulfill its mission and ties planned activities to a sustainable business model and the annual budgeting process. Organizations should adopt clear strategic priorities that can be acted upon, guide the organization's decision-making and are revisited regularly. Planning benefits from participation from the breadth of the organization, including stakeholder input (with particular attention to the people served by the organization), assessments of operational and competitive environments, and performance information on the organization's work.

Civic Engagement and Public Policy

Influencing public decision-making is a critical and legal means for nonprofit organizations to accomplish their missions. Open communication between policymakers and constituents contributes to well-informed policies and their effective implementation. To the highest extent possible, nonprofit organizations should educate their community, provide opportunities to deliberate on public policies and engage their constituents in advocacy activities in order to achieve their missions, and promote community interests. Because participation in government decision-making is a highly regulated and sometimes contentious area, nonprofit leaders need to be familiar with the regulations and requirements for nonprofit organizations to participate in policy making. They also need to know the reporting requirements and restrictions on partisan political campaign activity.

The Principles of Nonprofit Excellence *(continued)*

Strategic Alliances

Sustaining a variety of nonprofit organizations is positive and healthy for a community as it provides for a wide-array of approaches, leadership opportunities, individual choices and customization at the local level. However, the effectiveness of a community's nonprofit organizations also depends on successful relationships with one another as well as with businesses and government. Regardless of form, these strategic alliances can serve a variety of purposes, including resource sharing, policy influence and improved operational efficiency. While nonprofits operate in both cooperative and competitive environments, strong relationships between nonprofits can strengthen both the capacity of individual organizations and the sector as a whole.

Human Resources

The ability of an organization to make the best use of the energy, time and talents of its employees is essential to accomplish the organization's mission. Nonprofit organizations should place a high priority on exercising fair and equitable practices that attract, retain and actively engage qualified employees. Nonprofits have an obligation to comply with and stay current on all applicable employment laws and to provide a safe and productive work environment. Each nonprofit organization should establish specific policies and practices that promote cooperation and open and effective communication among employees so that they can productively work together to advance the organization's mission.

Volunteer Management

Volunteers' ideas, energy and ability to connect with others are crucial resources for nonprofit organizations to perform their role in society. Engaging volunteers is an essential part of the early stages of the life cycle of many nonprofits and also builds the capacity of nonprofits at any stage of the organization cycle. Volunteers provide a critical connection between nonprofits and their communities. They bring needed skills, connections, insights and resources. They also serve as valuable advocates and public relations ambassadors. Nonprofits have an obligation to act as responsible stewards of the skills, energy and time that volunteers bring to the organization. Nonprofits should create thoughtful structures and processes to manage volunteer time and abilities and direct volunteer energies to effectively advance the organization's mission.

Leadership and Organizational Culture

Nonprofit organizations benefit from broad participation in important discussions and decision-making. By engaging diverse groups of people who care about the organization's work and the people it serves, from perspectives inside and outside the organization, nonprofits are able to mobilize support, learn from peers and respond to community concerns. Nonprofit leaders have a complex task, carrying out challenging missions with limited resources and sometimes conflicting demands, in the midst of constantly evolving networks of organizational and personal relationships. Open and interactive leadership practices and organizational cultures strengthen the ability of nonprofits to interpret and adapt to opportunities in this shifting environment and to make the most effective use of the ideas and resources available in their organizations, networks and communities.