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1. Administration

How Do You:

A. **Start a Literacy Organization?**
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   ii.   Perform a Needs Assessment
   iii. Identify Stakeholders
   iv.   Create a Board of Directors
   v.   Apply for 501(c)(3) Status
   vi.   Develop Articles of Incorporation
   vii. Create Bylaws
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A. Starting a Literacy Organization

i. Key Concepts

You teach in the local school district where several new immigrant families have enrolled their non-English speaking children. Your school will provide English language services to these children, but who will help their parents learn English?...

You work for an employment agency in your small town where the local manufacturing plant has laid off workers, many of whom have low reading and basic skills. Many of these workers will not seek help because of embarrassment. You believe that there should be another alternative to traditional Adult Basic Education (ABE) programming...

Where you live, there are migrant workers employed in the fields and orchards nearby. You want to help them learn English, but you do not know how to get started...

You tutor children at the library after school and soon realize that their parents also need your help. You believe that there should be a tutoring program for adults with low literacy skills and decide that you would like to start a program like this. You realize that you cannot do it alone...

So, you want to start an adult literacy program. Where do you begin? What are the first steps? This section will provide you with helpful information in forming a nonprofit literacy organization.

Initially, several processes will happen at once. They are:
- conducting a needs assessment,
- identifying stakeholders,
- creating a **Steering Committee** (which often includes many stakeholders), and
- finding funding (grant or fiscal sponsor).

If you decide to proceed with the formation of a nonprofit, you will need to:
- develop a **mission/vision statement,**
- develop **Bylaws and Articles of Incorporation,**
- apply for **501(c)(3) status,**
- locate more **funding,**
- create a **Board of Directors,** and
- begin your **programming.**

ii. Needs Assessment

What is a needs assessment and why is it necessary?

A needs assessment can be as simple as answering: "How much need is there for this service in my community?"

However, a thorough needs assessment should be conducted to determine whether a start-up of a literacy organization is necessary. The following are some questions that should be addressed:

- Is your service necessary to the community? Will the community be willing to support your organization?
- Are there potential clients for your services? How will they be identified and recruited?
- Are there any other agencies providing the same or similar service in your area?
- How long do you believe that your service will be required/needed?

A needs assessment can be as simple as answering a question.

Often, needs assessments are conducted through focus groups – gathering 8-10 people of various backgrounds to discuss the questions. This will help you determine if your community sees the need for literacy services and it is willing to support such services. You may hold more than one focus group.

Market research will help determine who your potential clients are and where they are located. For example, you will want to gather school district statistics on the enrollment number of the children in which English is not the primary language spoken at home, or the number of high school drop-outs. You may want to speak to business owners and employers to see if they have hired employees with limited English proficiency or limited basic skills.

This information is valuable to you in other ways:
- When applying for your tax-exempt status and for grants, you will need to state your case for the formation of your nonprofit. This data will be helpful at that time.
- It is often during this process that you have also identified the stakeholders and supporters who will eventually become part of your Steering Committee or Board of Directors.
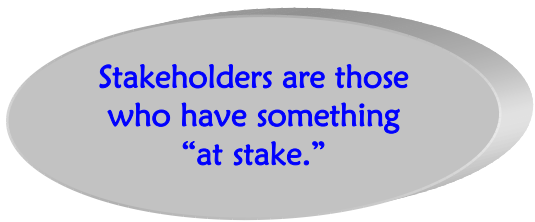
Resource:
Community Toolbox: ctb.ku.edu/tools/en/sub_section_main_1042.htm

iii. Identifying Stakeholders

Who are the stakeholders?

The stakeholders are those individuals who potentially have something "at stake" or have something invested in the organization. They share the same "vision" or "mission." They should also include potential beneficiaries of your services. For literacy organizations, stakeholders often include:

- human or social service representatives
- school district personnel
- business owners/employers
- libraries
- representatives from churches/faith-based groups
- vocational/technical instructors or administrators
- literacy advocates
- potential volunteers (tutors)
- community leaders
- philanthropists
- local newspapers

> Stakeholders are those who have something "at stake."

What is a Steering Committee? What are the responsibilities of this committee?

The Steering Committee consists of many of the same people who participated in the focus groups or needs assessment. These individuals are often your stakeholders. The Steering Committee responsibilities include:

- naming the organization,
- filing the Articles of Incorporation,
- finding funding/fiscal agent,
- drafting the mission statement and Bylaws,
- beginning the operation of the organization,
- calling for the first organizational meeting, and
- selecting the Board of Directors.

iv. Creating a Board of Directors

What are the responsibilities of the board?

The Board of Directors is the governing body of a nonprofit organization. The responsibilities of the board include:
- discussing and voting on the highest priority issues,
- setting organizational policies,
- hiring and evaluating key staff,
- advocating for the mission and in the best interests of the organization,
- approving operating budgets,
- establishing long-term plans, and
- carrying out fundraising activities.

The Board of Directors is the governing body.

Ten basic responsibilities of nonprofit boards:

1) **Determine the organization's mission and purpose.**
   A statement of mission and purpose should articulate the organization's goals, means and primary constituents served. It is the responsibility of the Board of Directors to create the mission statement and review it periodically for accuracy and validity. Each individual board member should fully understand and support it.

2) **Select the executive.**
   Boards must reach consensus on the chief executive's job description and undertake a careful search process to find the most qualified individual for the position.

3) **Support the executive and review his or her performance.**
   The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization. The chief executive, in partnership with the entire board, should decide upon a periodic evaluation of the chief executive's performance.

4) **Ensure effective organizational planning.**
   As stewards of an organization, boards must actively participate with the staff in an overall planning process and assist in implementing the plan's goals.

5) **Ensure adequate resources.**
   One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission. The board should work in partnership with the chief executive and development staff, if any, to raise funds from the community.

6) **Manage resources effectively.**
   The board, in order to remain accountable to its donors and the public and to safeguard its tax-exempt status, must assist in developing the annual budget and ensuring that proper financial controls are in place.

7) **Determine and monitor the organization's programs and services.**
   The board's role in this area is to determine which programs are the most consistent with an organization's mission and to monitor their effectiveness.

8) **Enhance the organization's public image.**
   The board is an organization's primary link to the community, including constituents, the public and the media. Clearly articulating the organization's mission, accomplishments and goals to the public, as well as garnering support from important members of the community, are important elements of a comprehensive public relations strategy.

9) **Serve as a court of appeal.**
   Except in the most dire of circumstances, the board must serve as a court of appeal in personnel matters. Solid personnel policies, grievance procedures and a clear delegation to the chief executive of hiring and managing employees will reduce the risk of conflict.

10) **Assess its own performance.**
   By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

Source:
Ten Basic Responsibilities of Nonprofit Boards. National Center for Nonprofit Boards. 1988.

How do you form your first Board of Directors?

Your Steering Committee forms the first board for an organization. It starts with a small, but committed, group. In general, most members on the first board for literacy organizations are the volunteer tutors. However, it is imperative to have a well-rounded board with members of various and diverse backgrounds. If you have a working board, decide what the ideal size is to get the initial work done. It is important to find people with the skills and expertise necessary to get your agency started and help it grow.

Ideal board members may include:

> **It is imperative to have a well-rounded board.**

- Accountant (to act as treasurer/bookkeeper and advise in the formation of a nonprofit)
- Lawyer (to advise in legal matters and the formation of a nonprofit)
- Educators from local school district, university, tech college (to share expertise in literacy issues, teaching methodology, training, etc.)
- Business or corporate leaders (to share expertise in marketing, public relations, strategic planning, fund development, policy making, etc.)
- Community leaders (to advocate/raise awareness for your cause)
- IT professional (to assist with technology needs)
- Human or social service professionals (to recruit clients/to network)
- Local newspaper (to publicize your agency)
- Librarians
- Tutors
- Adult learners (to share experiences/give feedback about programming)

Resources:
A Board of Directors Position Description is located on the following page.
A Board Member Evaluation Checklist is located in Part B.i. of this section.

Wisconsin Literacy Board of Directors
Position Description

Vision and Mission:
Wisconsin Literacy's vision is to strengthen Wisconsin's workforce, families and communities through literacy. It pursues this vision by providing support, training and advocacy to community-based adult, family and workplace literacy programs throughout Wisconsin.

Purpose:
Responsible for supporting and enhancing the mission of Wisconsin Literacy by participating in strategic planning, providing guidance regarding continuous service improvement, guaranteeing a stable financial base for the program and communicating the mission of Wisconsin Literacy to the wider community.

Specific Duties:
- Make a serious commitment to the cause of adult, family and workplace literacy.
- Attend quarterly board meetings.
- Participate actively on one or more Wisconsin Literacy committees.
- Attend board orientation meeting and Board development training when offered.
- Provide guidance to Wisconsin Literacy's Executive Director.
- Create and implement a strategic plan for ensuring the organization's success.
- Participate in Wisconsin Literacy activities that result from board decisions.
- Assist with the development of financial and community resources.
- Make a financial contribution consistent with ability to do so.
- Disclose potential conflicts of interest as they arise.
- Participate in an annual evaluation of the board's work.

Qualifications:
- Skills in areas such as fundraising, organizational change, financial services, marketing and communications, adult education, technology, volunteer management, law and government and community relations.
- Leadership qualities such as future orientation, global outlook, curiosity, risk-taking, enthusiasm.
- Connection to community resources such as local businesses, financial resources, booksellers and publishers, public libraries and professional/political/social/community/religious organizations.
- Interpersonal skills such as empathy, capability of listening to learn, willingness to speak up and to compromise, ability to work well in a team and support group decisions, flexibility and good humor.
- Previous board or nonprofit experience is desirable.

Time Commitment: Quarterly board meetings (3 hours). Typically the last Friday of March, June, Sept. and the first Friday of December. Committee meetings/responsibilities (2 to 4 hrs/month).

Responsible to: Board President

I agree to accept this responsibility.

Signature:_____   Term Ends: June 2010

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v. Applying for 501(c)(3) Status

How do you obtain tax-exempt status?

You will need to file with the Internal Revenue Service for tax-exempt status under Section 501(c)(3). Form 1023 is the multi-page form you will need to file. Within three to six months of submitting your paperwork, you ordinarily will receive a letter granting tax-exempt status to your organization.

Source:
www.foundationcenter.org

Nonprofit status is often required to receive grants.

Reasons to incorporate and be tax-exempt:

- As a separate legal entity, incorporation inserts a legal buffer between the corporation and the trustees, officers, members or other individuals. The assets at risk in a lawsuit or claims of creditors are the corporation's, not the personal assets of the individual trustees, officers, volunteers, etc.
- Nonprofit organizations may be exempt from property taxes on all or part of their real property.
- Incorporation frequently elevates an organization's status in the eyes of potential donors and the public.
- Nonprofit 501(c)(3) organizations are exempt from federal income taxes on income related to the organization's exempt purposes.
- Nonprofit 501(c)(3) organizations are exempt from federal unemployment taxes.
- Nonprofit 501(c)(3) organizations may collect tax-deductible contributions, which may greatly facilitate fundraising.
- Nonprofit 501(c)(3) status is often required to receive grants from private foundations, as well as government grants and contracts.
- Nonprofit 501(c)(3) organizations are often exempt from state sales taxes.
- Nonprofit 501(c)(3) organizations may be eligible for reduced postal rates.

Source:
www.njnonprofits.org

Resource:
Publication 557, "Tax-Exempt Status for Your Organization"
www.irs.gov/publications/p557/index.html

vi. Articles of Incorporation

What are Articles of Incorporation?

Articles of Incorporation:

- act as a charter to establish the existence of a nonprofit in your state,
- are filed with the Secretary of State's office, and
- register your nonprofit name as a business entity within the state.

The Articles of Incorporation must include:

- the name of the organization,
- where the organization will be headquartered, and
- the organization's overall purpose.

Articles of Incorporation are necessary to receive grants.

Before you can file these articles, you will need to:

- determine the name of your organization.
- determine if your organization will be a "membership organization." In a membership organization, all members are eligible to vote to elect or remove officers and can make changes to the Bylaws.

Why are Articles of Incorporation necessary?

- to apply for public or private grant money
- to solicit for tax-deductible contributions
- to protect from personal liability for a group's activities
- to get special postal rates
- to be exempt from property taxes

Resources:
An example of Articles of Incorporation is located on the following page.

You can find other examples of Articles of Incorporation at:
www.lectlaw.com/forms/f164.htm
www.managementhelp.org/legal/articles.htm

ARTICLES OF INCORPORATION FOR A NOT FOR PROFIT ORGANIZATION WHICH IS NOT A PRIVATE FOUNDATION.

ARTICLES OF INCORPORATION OF [NAME]

The undersigned, acting as incorporators of a corporation under the Not for Profit Corporation Act of the State of [NAME], adopt the following articles of incorporation for such corporation:

ARTICLE I

The name of the corporation, hereinafter referred to as the "Corporation" is [NAME].

ARTICLE II

The period of duration of the Corporation is perpetual.

ARTICLE III

The Corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code. The Corporation may receive and administer funds for scientific, religious, educational, and charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and to that end, the Corporation is empowered to hold any property, or any undivided interest therein, without limitation as to amount or value; to dispose of any such property and to invest, reinvest, or deal with the principal or the income in such manner as, in the judgment of the directors, will best promote the purposes of the Corporation, without limitation, except such limitations, if any, as may be contained in the instrument under which such property is received, these Articles of Incorporation, the By-Laws of the Corporation, or any applicable laws, to do any other act or thing incidental to or connected with the foregoing purposes or in advancement thereof, but not for the pecuniary profit or financial gain of its directors or officers except as permitted under the Not-for-Profit Corporation Law.

No part of the net earnings of the Corporation shall inure to the benefit of any member, trustee, officer of the Corporation, or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes, and no member, trustee, officer of the Corporation, or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting, to influence legislation, and the Corporation shall not participate in or intervene in, including the publication or distribution of statements, any political campaign on behalf of any candidate for public office.

Upon the dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation shall be distributed exclusively to one or more charitable, religious, scientific, testing for public safety, literary, or educational organizations which would then qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may be hereafter amended, or to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE IV

The qualifications for members and the manner of their admissions shall be regulated by the by-laws.

ARTICLE V

The initial street address in the state of [NAME] of the initial registered office of the Corporation is [LOCATION], and the name of the initial registered agent at such address Is [NAME].

ARTICLE VI

The territory in which the operations of the Corporation are principally to be conducted is the United States of America and its territories and possessions, but the operations of the Corporation shall not be limited to such territory.

ARTICLE VII

The initial board of directors shall consist of at least three (3) members, who need not be residents of the state of [NAME].

ARTICLE VIII

The names and addresses of the persons who shall serve as directors until the first annual meeting of members, or until their successors shall have been elected and qualified, are as follows: [DESCRIBE]

ARTICLE IX

The names and addresses of the initial incorporators are as follows:
[NAMES]

IN WITNESS WHEREOF, the undersigned have made and subscribed to these Articles of Incorporation at [LOCATION] on [DATE].

[NAME]
[NAME]

STATE OF [NAME]
COUNTY OF [NAME]

The foregoing instrument was acknowledged before me this [DATE].

[NAME] Notary Public   (SEAL)
State of [NAME]
My Commission Expires:

Source: From the 'Lectric Law Library
Articles of Incorporation for a Not For Profit Organization
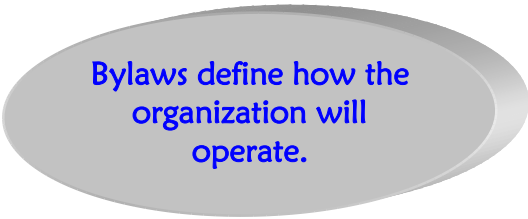*Which is Not a Private Foundation Form*

vii. Bylaws

What are Bylaws?

In essence, Bylaws determine how a nonprofit will operate and what board members will do in the course of their duties. Ignoring Bylaws is never a good idea. This is the document that outlines how your organization is to be governed. In the Bylaws, you have the tools for optimal governance, as well as guidelines for ensuring that you are acting legally and in a way that is consistent with your organization's mission.

Bylaws define how the organization will operate, such as:

- number of members of the board
- length of the terms of membership
- all of the officer positions
- how meetings are conducted
- the responsibilities of the board
- committees

Bylaws define how the organization will operate.

Once your organization creates Bylaws, make sure to keep them up-to-date. Changing your organization's Bylaws is imperative to keep pace with other changes that may have happened over time. For example, if you are offering new services to a new population, if your organization has recently adopted a new mission or if there are new state or federal laws that govern nonprofits, it would be prudent for your board to take a look at the Bylaws to see if changes are necessary.

Sources:

A Legal Handbook for Nonprofit Corporation Volunteers:
www.iciclesoftware.com/vlh7/index.html

"Establishing a Nonprofit Organization," Foundation Center:
foundationcenter.org/getstarted/tutorials/establish/index.html

Resource:

You can find examples of Bylaws at:
www.mncn.org/bylaws.htm

viii. Seed Money

Where do you find initial funding?

Most of your agency's initial funding will come from:
- your stakeholders (It may seem awkward to ask, but you should ask each member of the Steering Committee/Board of Directors to give generously of both their time and MONEY.)
- community support, such as churches (Church and school drives often will not ask for a receipt.)
- grants
- fundraising

Ask members to give generously of their time and money.

However, until your organization has become an incorporated, tax-exempt nonprofit, grants and fundraising will need help from a:
- fiscal sponsor (often called a fiscal agent)

What is a fiscal sponsor/agent?

Jeanne Vogel and Fundraising Innovations defines a fiscal agent as "an organization that manages the finances for another organization, generally until the second organization gets on its feet."

Here is how it works:
The fiscal sponsor applies for funding under the auspices of its nonprofit status and passes the funding through to the second organization. The new nonprofit does the grant writing and other fundraising work.

General guidelines for fiscal sponsors:
- Choose an agency whose mission/vision compliments yours to be your fiscal sponsor.
- Choose an agency that will be willing to mentor you in other areas such as fundraising, marketing, grant writing, etc.
- Choose an agency in which you will not be in direct competition for fundraising/grants.
- Get board approval from both boards and make sure the terms of the relationship are in writing.
- Have a plan in place for becoming independent from the fiscal sponsor as quickly as possible.

Resources:

www.nonprofit-innovations.com/fiscal_agents.htm

www.compasspoint.org/askgenie

ix. Mission and Vision

What is a mission statement?

A mission statement should be one clear, concise sentence stating:
- **who the agency is** (name / nonprofit status / type of agency)
- **what it does**
- **for whom and where** (*Source: www.idealist.org*)

In addition to the three elements discussed above, you may want to address the following questions in developing your organization's mission statement:

- **What is the problem or need** your organization is trying to address? (i.e., illiteracy, teaching English)
- **What makes your organization unique**? (i.e., nonprofit, one-to-one tutoring with volunteer tutors, free, flexible scheduling, family literacy)
- **Who are the beneficiaries of your work**? (i.e., low-literate adults in your community, immigrants, refugees, drop-outs)

A mission explains what your organization does.

The answers to the questions above could be included in the mission statement or added as elaboration of the mission statement.

What is a vision statement?

A vision statement expresses the organization's optimal or ultimate goal and reason for existence. It should be brief, illustrating what you would like to see for the future.

How do you write a mission statement?

A vision explains your organization's ultimate goal for the future.

There is no formula for finding the wording that best expresses the collective intention of your organization. It can be drafted by one person alone or after input gathered at a leadership retreat. The most important issue is to have a **consensus on the answers** to the questions used in developing the mission statement.

Another way to define your mission statement is to use a journalist's 6 Ws to explain the purpose of the organization as clearly and concisely as possible:

—Who, What, When, Where, Why, and hoW—

- **Who** does the organization serve?
- **What** do you plan to accomplish, affect, change?
- **When** will services be provided, or goal reached?
- **Where** does the organization serve?
- **Why** does the organization exist? For what greater purpose or larger good?
- **How** will you accomplish this? Specify the services or activities.

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For example: The ABC Agency
          How   provides art and music instruction and activities
          Who   to all children ages 3 to 18
          Where   in greater Anytown
          When   after school
          Why   in order to encourage their
          What   intellectual and creative development.

One common approach:
- Each steering committee/board member answers the questions.
- They discuss these questions to find consensus.
- They discuss where there are differences.
- This "process" continues until agreement is made.
- One or two individuals draft the wording.
- The mission statement is submitted to the group for their comments.
- It is edited and redrafted until everyone is in agreement with the wording.
- It is suggested to seek outside opinions from individuals unfamiliar with the organization to see how easily the mission statement can be understood.

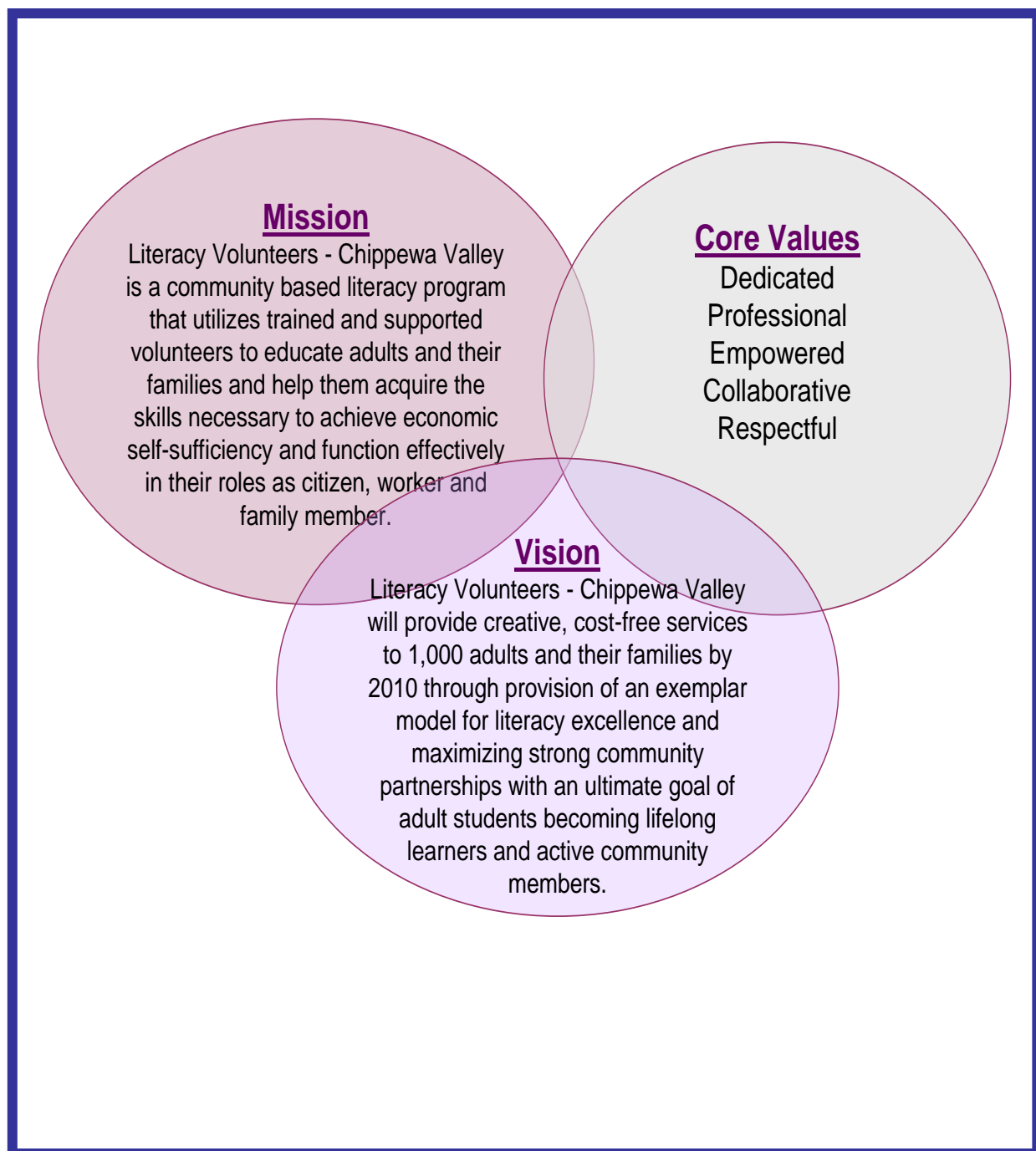There is a benefit to reviewing an existing mission statement.

There is benefit to hashing over an existing organization's mission statement, as well. In the course of discussion and debate, new members are introduced to nuances of an organization's mission and changes in the environment, and old members refresh their understanding of both. As a result, the group will have confidence that the mission statement that emerges (whether it is a new statement or a rededication to the old mission statement) is genuinely an articulation of commonly held ideas.

Resources:

Examples of mission and vision statements are located on the following page.

www.supportcenter.org/sf/genie.html

Mission

Literacy Volunteers - Chippewa Valley is a community based literacy program that utilizes trained and supported volunteers to educate adults and their families and help them acquire the skills necessary to achieve economic self-sufficiency and function effectively in their roles as citizen, worker and family member.

Core Values

Dedicated
Professional
Empowered
Collaborative
Respectful

Vision

Literacy Volunteers - Chippewa Valley will provide creative, cost-free services to 1,000 adults and their families by 2010 through provision of an exemplar model for literacy excellence and maximizing strong community partnerships with an ultimate goal of adult students becoming lifelong learners and active community members.

x. Other Sources of Funding

What are other sources of funding or fundraising?

- **Individuals**
  An effective way to raise steady funds is to have a "Friends of Literacy" campaign to solicit for contributions from stakeholders, tutors and other individuals within the community.

- **Corporations**
  Corporate funding can be a good source of support for new initiatives, special programs and special events. However, corporate funding is usually episodic, revolving around a special event or campaign (i.e., a 5K run/walk) that will generate publicity, public awareness and community respect for the company. Many corporations either have a corporate foundation or a committee made up of employees/retirees who will determine which cause/agency will receive the financial support.

  > You won't get money unless you ask.

- **Local and State Governments**
  Local/state governments often have funds available for organizations that provide educational, human service or workforce development. However, many new nonprofits may not be eligible or have sufficient resources to meet the requirements of the funding.

- **Federated Funds (i.e., United Way)**
  A federated fund is a cooperative enterprise, owned and controlled by the nonprofit members, whose purpose is raising program and operating capital for each member agency. It serves as a contribution vehicle for donors to direct charitable dollars to the groups and issues about which they care. A donor gift to the federation is usually distributed to all the member organizations, or donors can target gifts to specific groups in the federation. Federated funds are favorites of businesses since they provide a safe and convenient way for their employees to contribute to charities. *The downside of federated funds is that often new, small nonprofits, or those with unique or offbeat missions, are not included.*

- **Foundations**
  There are different types of foundations:

  - **Private:** Private foundations are generally founded by an individual, a family or a group of individuals and are organized either as a nonprofit corporation or as a charitable trust. It is managed by its own trustees or directors. It is established to aid social, educational, religious or other charitable activities, primarily through grantmaking.

  - **Corporate:** The company-sponsored foundation is a private foundation that often maintains close ties with the donor company. However, it is a separate legal organization, sometimes with its own endowment, and is

subject to the same rules and regulations as other private foundations. According to the Council on Foundations, there are more than 2,000 corporate foundations in the United States holding some $11 billion in assets.

● **Community:** A community foundation is composed primarily of permanent funds established by many separate donors for the long-term benefit of the residents of a defined geographic area. Typically, a community foundation serves an area no larger than a state. Community foundations provide services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations. According to the Councils on Foundations, there are more than 500 community foundations across the United States today.

● **Family:** A family foundation's funds are derived from members of a single family. At least one family member must continue to serve as an officer or board member of the foundation and as the donor. The family member plays a significant role in governing and/or managing the foundation throughout its life. Most family foundations are run by family members who serve as trustees or directors on a voluntary basis, receiving no compensation.

Resources:

A listing of "Helpful Website Resources on Forming a Nonprofit" is located on the following page.

Council on Foundations: www.cof.org

Donors Forum of Wisconsin: www.dfwonline.org

The Grantsmanship Center: www.tgci.com/grants/Wisconsin/community.asp

Helpful Website Resources on Forming a Nonprofit

■ The Start-up section of Idealist's Nonprofit FAQ offers advice and links to helpful information.
www.idealist.org/if/idealist/en/FAQ/CategoryViewer/default?category-eid=21-74

■ The Internal Revenue Service has comprehensive discussion of the requirements for tax-exempt status and recognition as a charity in the "Exempt Organizations" section of its website.
www.irs.gov/charities/index.html

■ The IRS (like the UK Charities Commission) has a page on the lifecycle of a charitable organization.
www.irs.gov/charities/charitable/article/0,,id=122670,00.html

■ On the IRS site, there is also a page with links to state government sites with information about nonprofit corporations and other local laws and regulations.
www.irs.gov/charities/article/0,,id=129028,00.html

■ About.com contains information about how to start a nonprofit.
nonprofit.about.com

■ Earlier advice from Stan Hutton, who was then the nonprofit "guide" at About.com, is available, as well.
nonprofit.about.com/library/weekly

■ BoardSource has a helpful checklist on its website.
www.boardsource.org/FullAnswer.asp?ID=101

■ Delaware Association of Nonprofit Agencies' Nonprofit Start-Up Resources:
www.delawarenonprofit.org/StartUp.htm

■ The Foundation Center offers Resources for Starting a Nonprofit.
fdncenter.org/learn/useraids/nonprofit.html

■ The Free Management Library's links on Starting a Nonprofit Organization help you answer the following questions:
  ◗ Should your new business really be a nonprofit?
  ◗ What service will your nonprofit provide? Is it needed? By whom? Really?
  ◗ How will your nonprofit be designed? Who will it involve? Who will work for whom?
  ◗ Do you have what it takes to start and run a new organization?
  ◗ If so, then what specific steps are involved in starting a nonprofit?
  www.mapnp.org/library/strt_org/prep.htm and
  www.mapnp.org/library/strt_org/strt_np/strt_np.htm

■ Grantmakers for Effective Organizations, an association of foundations that give special emphasis to nonprofit management, has a guide for funders considering support to a start-up organization on its website. The issues raised in this guide are things anyone investing time, thought or money in a new organization will want to think about.
www.geofunders.org/_uploads/documents/live/startupassessmenttool.pdf

What is a good table of reminders for registering your new nonprofit in the U.S.?

The following table depicts the important steps required to register your new nonprofit.

Starting a Nonprofit Organization
Written by Carter McNamara, MBA, PhD
(Reprint permission granted for nonprofit use only.)

Activity	Comment	Notes
draft mission statement	draft a brief mission statement that describes the charitable purpose of your new organization; your board should soon review it during strategic planning and authorize the statement	
recruit board members	(if you plan to incorporate in your state) recruit at least enough board members to meet state requirements for a corporate board (contact state attorney's office); if you don't plan to incorporate, consider an informal advisory board to help guide you	
get a lawyer	to help you file articles of incorporation (if you plan to incorporate), application to IRS for tax-exemption (if you plan to seek exemption from federal taxes); you can do most of the work yourself, but at least have a lawyer review the materials before submission; will eventually need special expertise to review personnel policies	
get banker and bank account	get a bank account; seek bank that understands needs of new, small nonprofit	
get accountant	get an accountant or other finance expert to help you set up basic bookkeeping system; when you get a board treasurer, then he/she can be very helpful in this regard	
get insurance agent	you may need liability insurance, property insurance, and when you hire staff: worker's compensation, health and life insurance benefits, etc.	
draft articles of incorporation and get board approval	these specify legal description of your organization and power to the board; you'll need to draft these only if you plan to file for incorporation with your state; the board should approve the articles before submission	

draft bylaws and get board approval	these specify how the board will operate and configure the staff; some states require these; some of this information will be in the Articles if you file Articles; the board should approve the bylaws	
file for incorporation with state	register for incorporation including submitting your drafted and approved Articles (if you plan to incorporate); may need to submit bylaws, too; also find out what various reports the state wants from nonprofits	
file for federal tax-exempt with IRS	apply for tax-exempt status (to be exempt from paying federal taxes); board should approve this filing before submission	
get state tax exemption from state	once you get IRS exemption, file for any state tax exemptions	
get property tax exemption from city	once you get IRS exemption, file for any state tax exemptions	
get solicitation license	if you plan to solicit funds, your city may require a solicitation license	
get mail permit	this permit gives you a discount on bulk mailings	
get federal employer number	(do this once you start to hire employees) get federal employer number to withhold income and FICA (once you hire employees)	
get unemployment insurance req's	do this once you start to hire employees	

B. Existing Organizations

i. Board Development

How do you develop your existing Board of Directors?

Forming and maintaining a resourceful and productive Board of Directors is crucial to the growth of your organization. Keeping in mind that a majority of your board members lead busy lives and have many professional responsibilities, it is important to establish their time, interest and financial commitments before they join the board. (*See "Creating a Board of Directors," Part A.iv. for more information.*) Often, a potential board member receives a position description outlining responsibilities.

The nominating committee of your Board of Directors should meet periodically throughout the year to search for potential board members instead of just prior to the annual meeting where new members are elected. A diverse Board of Directors is imperative in representing those you serve, as well as gaining broader recognition in your community. A list of desired characteristics can be considered, such as:

- expertise: legal, fiscal, personnel management, etc.
- age and gender
- race and religion
- background: corporate, government or previous experience with nonprofits
- client population: representatives of the client population served

What are some techniques for keeping a good Board of Directors?

Requiring all new board members to participate in an orientation session before they attend their first meeting helps to lay the foundation for informed and committed board members. At or before the orientation session, they should receive:

- Board of Directors Position Description
- Articles of Incorporation
- Bylaws
- Funding applications
- Personnel, fiscal and other board policies
- Annual reports
- Names, contact and background information of other board members and key staff
- List of committees and committee duties
- Minutes of the last several board meetings
- Audits, budgets and recent financial statements

A productive board is crucial to the growth and health of your organization.

The board orientation should provide an opportunity for new members to ask questions of the board president and executive director, tour the facility and staff offices, witness programming in action, get an update of current issues and review board member responsibilities.

Other steps to encourage productivity from the board include:

Keep your board actively engaged.

- Give specific projects to members.
- Keep board meetings on task and timely.
- Replace unproductive board members quickly.
- Thank board members for their work.
- Consider hosting a half-day or full-day board retreat off-site.
- Establish a policy that stipulates board dismissal for a certain number of unexcused absences from meetings.
- Re-elect only the board members who have met their responsibilities.
- Contact inactive board members to confirm their interest in serving.

Source:
Grobman, Gary M. The Nonprofit Handbook. Third Edition.

Resource:
A Board Member Evaluation Checklist is located on the following page.
A Board of Directors Position Description is located in Part A.iv. of this section.

Board Member Evaluation Checklist

☐ Attend no less than 75% of regular board meetings.

☐ Chair and/or serve on a standing committee or special project.

☐ Make a personal and, if possible, business contribution to the organization's annual operating needs.

☐ Participate in or attend most of the program activities involving the operation.

☐ Arrange for and/or make an organization presentation to a civic club, church group, business associate or group of friends.

☐ Make at least five person-to-person visits to individuals, foundations, businesses or civic groups to request financial contribution for the organization.

☐ Invite and accompany a friend or associate to visit the facility.

☐ Recommend a potential candidate for board membership to the board Development Committee.

☐ Secure a volunteer, in-kind service or material goods for the organization.

☐ Review and consider your capacity and willingness to make a planned gift or bequest to the organization.

☐ Secure at least 10 new donors for the organization.

☐ Actively assist with the special events of the organization.

_____
Signature of Board Member   Date

_____
Signature of Board President   Date

_____
Signature of Executive Director   Date

(Feel free to format this checklist into a document for your nonprofit's use!)

ii. Strategic Planning

What is strategic planning and what is its purpose?

Strategic planning is a formalized process by which an organization studies its vision for the future, usually for a minimum of three years or more from the present. A strategic plan is a critical management tool for executive directors and board members that anticipates change before it occurs. Demographic changes in an agency's service area, advances in technology, competition from for-profit businesses, resignation or retirement of a long-time director, and deep cuts in local, state or federal funding all highlight the importance of changing the basic way an agency does business.

There are mixed results from many academic studies regarding the benefits of strategic planning in business and industry. Yet the process itself does provide a framework for a long-term assessment of new threats facing an organization and the opportunities to develop strategies to respond to them.

What are some benefits of strategic planning?

A strategic plan anticipates change before it occurs.

- It provides a template for staff to implement the policies and vision of the Board of Directors.
- It allows for an agency to be proactive, rather than reactive in their decisions.
- It provides a method for reallocating resources as changing circumstances require, and the means to obtain additional resources if necessary.
- It develops stronger inter-board relationships and stronger partnerships among the board, staff, funders and other stakeholders.
- It gives a clearer picture to board members, staff and stakeholders of the daily activities and challenges faced by the organization.
- It develops a sense of ownership of the organization among board members.
- It allows the executive director to focus on the mission and vision of the agency, rather than be buried in the day-to-day issues.
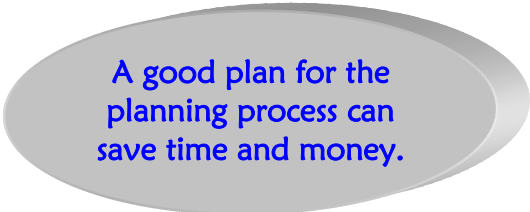
What are some of the costs of strategic planning?

- **Money** – An in-depth strategic plan usually costs money. Amounts can range from a few hundred dollars to a few thousand dollars. Check with your local UW Extension program for strategic planning services that are **sometimes** offered at little or no cost depending on the campus.
- **Time** – Staff and board resources have to be diverted to meeting preparation, attendance, minutes and drafting of the final plan. Hiring an outside strategic planner also takes some time. The process itself can vary from a few days of intensive strategic planning to more than one year.
- **Potential Bad Will** – The strategic planning process requires that the participants be extremely honest as to the agency's strengths and weaknesses, including where staff capabilities need to be improved or modified. Current staff members may feel threatened. If the plan is not implemented, participating board members may

feel their time involved was wasted. Not all will agree on new directions for the agency suggested by the strategic planning process.

What are the steps to initiating a strategic plan?

- **Step 1:** Decide whether to develop a strategic plan.
  - Consider costs and benefits.
  - Is this a good time to commit to the strategic planning process?
  - Is there a commitment from agency staff, board and other stakeholders?
  - Is the short-term stability of the agency too vulnerable to invest in long-term planning?

- **Step 2:** Determine the players and materials needed for the plan.
  - Appoint a strategic planning committee of the board.
  - Gather related materials on strategic planning.
  - Determine whether the facilitator will be paid or volunteer and a board member or hired outside consultant.
  - Informally survey other similar organizations for possible planning consultants. The Wisconsin Nonprofits Association may have potential contacts.

- **Step 3:** Decide how many years the strategic plan will cover.
  - In general, smaller organizations choose shorter time frames, for example two-to-four years, while larger organizations choose longer time frames of five years or more.

- **Step 4:** Document the timetable and the process. Write down the required tasks and person(s) responsible for:
  - appointing a committee
  - hiring a facilitator
  - leading the orientation of the committee
  - choosing the meeting site
  - scheduling meetings
  - writing the first draft of the plan
  - setting up procedures to revise the plan
  - contacting agency stakeholders for their input
  - writing the final plan
  - developing the process for the full board's review and adoption of the plan

A good plan for the planning process can save time and money.

- **Step 5:** Obtain board approval of the time and resources necessary to complete the strategic planning process.

- **Step 6:** Appoint the strategic planning committee, appoint or hire the facilitator, send out orientation materials and schedule the first meeting.

Source:

Grobman, Gary M. The Nonprofit Handbook. Third Edition.

Resources:

There are hundreds of strategic planning resources that outline different approaches to the process. There is no one perfect strategic planning model for each organization. Each organization ends up developing its own nature and model of strategic planning, often by selecting a model and modifying it as they go along in developing their own planning process. For an overview of the different types of strategic planning models, see: www.managementhelp.org/plan_dec/str_plan/models.htm.

Allison, Michael. Strategic Planning for Nonprofit Organizations. Second Edition.

Barry, Bryan W. Strategic Planning Workbook for Nonprofit Organizations. Revised and Updated.

Bryson, John M. Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement. Third Edition.

Howe, Fisher. The Board Member's Guide to Strategic Planning: A Practical Approach to Strengthening Nonprofit Organizations.

iii. Effective Meetings

How do you hold effective board meetings?

A key element to maintaining productive board members is the quality of the board meetings. An important technique for improving board meetings is to do as much planning and work as possible before the meeting. Helpful tips include:

- Start and end all meetings on time.
- Send board meeting reminders a week or more prior to the meeting, including date, time and place. Include the number and name of person to call if members are unable to attend.
- Consider using a "Consent Agenda" at meetings. A Consent Agenda includes members having the Agenda, Minutes, Treasurer's Report, Executive Director's Report and any other major reports that require an approval vote prior to the meeting (usually sent electronically). Then, at the meeting, with everyone having ALREADY read the reports, one single vote can be taken to approve the minutes and reports after members have a chance to ask any related questions. This also keeps non-attending members informed of possible board action.

    Do as much planning and work as possible before the meeting.

- Allow time at the beginning of the meeting for members to suggest additional agenda items, eliminating surprise topics. The board president has the option of referring new items to committees or postponing items until future meetings.
- Consider printing the agency's mission or vision on the agenda. At the end of each meeting, verbally confirm which actions took place to further support the vision and mission of the organization.
- Keep members on task, curtailing discussions that go off-topic.
- If a strategic or long-range plan is in place, consider re-stating parts of the plan that are related to the business at hand for that meeting. This keeps the strategic or long-range plan a living and dynamic document to guide board action and policy.

What is the typical order of business at a board meeting?

- Approval of the previous meeting's Minutes
- Treasurer's Report
- President's Report
- Executive Director's Report OR approval of Consent Agenda
- Committee Reports
- Old Business
- New Business
- Announcements
- Adjournment

Source: Grobman, Gary M. The Nonprofit Handbook. Third Edition.

iv. Budget Management

Your community has seen an influx of immigrants in the past year and, as a result, your organization has experienced a significant increase in demand for services. Fortunately, the local community has decided to make funds available to help address the situation. In order to apply for funding, you must have a budget to support your request.

What is a budget?

A budget depicts what you expect to spend (expenditures) and generate (revenue) over a specific time period, normally your fiscal year. It is essentially a document that translates the organization's plans into dollars. It answers the questions of: 1) how much money will have to be spent to meet planned goals and 2) how much money will need to be generated to cover those costs.

Why is a budget necessary?

You must have a budget to apply for most funding.

The budget is an essential management tool.
Having a sound budget is crucial to helping manage the financial aspects of your organization. Without a budget, you are like the captain of a ship navigating without instruments.

- The budget tells you how much money you need to carry out your activities.
- Used properly, the budget tells you WHEN you will need money.
- The budget forces you to thoroughly think through what you have planned.
- Many times, the budgeting process itself will force you to reassess your action plan.
- The budget allows you to monitor your income and expenditures and identify any problems.
- The budget is the basis for financial accountability and transparency.
- Many donors require that you have a budget when requesting funding. They use this information to decide if what you are asking for is reasonable and well-planned.

What are the basic principles of developing a good budget?

- Both program staff and financial staff should work with the executive director and board to develop budgets that **reflect organizational priorities** and act as a guide for spending and decision making. The budget that is developed should fit into the organization's strategic plan. For a smaller organization without staff that can handle the budgeting process, it makes sense to have someone on your board with financial skills who is willing and able to help.
- Don't just use last year's budget and increase it by an arbitrary percentage. You can rely on past history as a starting point, but you have to consider changes that aren't reflected in the prior year's number such as insurance rate increases, increases in utility rates, etc.

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■ The budget should be based on reasonable assumptions, which are supported by past history, new information, statistics, etc.

What are the steps in developing the actual budget?

At least two or three months before the beginning of your next fiscal year, you will want to start to think about the next year's budget. The budget should correspond to the organization's operating cycle. For instance, a nonprofit relying on government funding might choose a fiscal year ending June 30.

Steps:

1. Review the program and management achievements and financial results of the year just ending.
2. Determine your goals and objectives for the next year.
3. Estimate the costs required to achieve those objectives. This should include such things as cost of new staff, additional supplies needed, etc.
4. Project the amount of revenue from all sources. The financial staff, executive director and fundraising committee have to make the most realistic assessment possible.
5. Compare revenue and expenditures to see if the preliminary budget results in a deficit, surplus or breakeven situation. If the results are not acceptable, go back and review the revenues and expenditures to see where adjustments can be made until the budget is acceptable.
6. Once the budget is done, it must be approved by the full board.

NOTE: Each program should have its own budget so it can be viewed and assessed independently of the organization as a whole.

It is helpful to break the budget down by month so that each "monthly" budget reflects the timing of revenue and expenses on a realistic basis. Don't just automatically divide the full budget into twelve equal parts. For instance, if the entire insurance premium is due in January the full cost should be reflected in that month. You will get a clearer indication of where the organization is by preparing monthly budgets and comparing them to actual dollars spent and received. This will help you to spot changes (positive or negative) and address them accordingly.

What do I do with the budget once it is done?

Use it! Don't just put it away until the next budget planning period. It is a management tool that should be monitored on a regular basis.

Each month, you should update your budget report to include actual revenue and expenditures. Then you can compare your planned revenue and expenditures to your actual revenue and expenditures. This will give you a good idea whether your operating according to plan or not, including where you need to cut down on costs and build up on revenue. If used properly, the budget also allows you to: report how you are doing

financially to staff, board and donors; do cash flow projections; and make financial decisions.

Resources:

An example of a budget form is located on the following page.

Simple Budget Worksheet:
www.moneysmartchoices.org/nonprofit/np-budgetworksheet.html

Budgeting Toolkit by Janet Shapiro:
www.civicus.org/new/media/Budgeting.pdf

www.foundationcenter.org/getstarted/faqs/html/samplebudget.html

www.managementhelp.org/finance/np_fnce/basics.htm

www.mncn.org/info/basic_fin.htm

www.communityaccountants.org/pub.html

2007 Budget vs 2007 Actual
Literacy Council of

	Budget 2007	Actual 2007	Over/ (Under) Budget
REVENUE			
Temporarily Restricted Contributions			
Name of Grant/Source	3,000.00	3,500.00	500.00
Name of Grant/Source	2,500.00	2,000.00	(500.00)
Total Temporarily Restricted Cont	**5,500.00**	**5,500.00**	**-**
Unrestricted Contributions			
Campaign for _____	3,500.00	5,000.00	1,500.00
Other Contributions	1,000.00	250.00	(750.00)
Total Unrestricted Contributions	**4,500.00**	**5,250.00**	**750.00**
Government Grants/Contracts			
AEFL	15,000.00	17,500.00	2,500.00
Even Start	15,000.00	15,000.00	-
Total Government Grants/Contracts	**30,000.00**	**32,500.00**	**2,500.00**
Special Events/Net of Expense			
Name of Event	5,000.00	4,500.00	(500.00)
Name of Event	5,000.00	6,000.00	1,000.00
Total Special Events/Net of Expense	**10,000.00**	**10,500.00**	**500.00**
Program Income			
Program Fees/Workbooks	1,000.00	1,000.00	-
Contract Services/Workforce	5,000.00	6,000.00	1,000.00
Total Program Income	**6,000.00**	**7,000.00**	**1,000.00**
Other (General Interest)			
General	500.00	450.00	(50.00)
Board Designated	500.00	750.00	250.00
Donor Restricted	500.00	250.00	(250.00)
Total Other (General Interest)	**1,500.00**	**1,450.00**	**(50.00)**
TOTAL REVENUE	**57,500.00**	**62,200.00**	**4,700.00**

	Budget 2007	Actual 2007	Over/ (Under) Budget
EXPENDITURES			
Personnel Costs			
Wages and Salaries	30,000.00	32,000.00	2,000.00
FICA Tax	1,860.00	1,984.00	124.00
Medicare Tax	435.00	464.00	29.00
Total Personnel Costs	**32,295.00**	**34,448.00**	**2,153.00**
Professional Fees	**2,500.00**	**3,000.00**	500.00
Supplies/Postage/Printing			
Administrative	500.00	650.00	150.00
Office Supplies	1,000.00	1,200.00	200.00
Program Supplies	1,000.00	1,100.00	100.00
Library Supplies	550.00	500.00	(50.00)
Cost of Workbooks	650.00	750.00	100.00
Library Books	1,000.00	850.00	(150.00)
Postage	1,000.00	1,250.00	250.00
Fundraising	750.00	1,000.00	250.00
Special Event	750.00	500.00	(250.00)
Publicity and Promotion	1,000.00	750.00	(250.00)
Total Supplies/Postage/Printing	**8,200.00**	**8,550.00**	**350.00**
Occupancy Cost			
Rent	-	-	-
Insurance	1,000.00	1,200.00	200.00
Telephone	1,000.00	1,500.00	500.00
Repairs/Maintenance	500.00	1,000.00	500.00
Program Equipment	-	-	-
Total Occupancy Cost	**2,500.00**	**3,700.00**	**1,200.00**
Depreciation	**500.00**	**500.00**	-
Miscellaneous			
Student/Tutor Assistance	1,000.00	1,000.00	-
Miscellaneous	500.00	450.00	(50.00)
Total Miscellaneous	**1,500.00**	**1,450.00**	**(50.00)**
TOTAL EXPENDITURES	**47,495.00**	**51,648.00**	4,153.00
TOTAL REVENUE	**57,500.00**	**62,200.00**	**4,700.00**
TOTAL EXPENDITURES	**47,495.00**	**51,648.00**	**4,153.00**
NET EXCESS/(DEFICIT)	**10,005.00**	**10,552.00**	**547.00**

v. Policies

The following pages contain examples from member agencies of two of the major policies that Wisconsin Literacy recommends for literacy programming: personnel policies and financial policies.

Within the other sections of this tool kit are suggestions of policies your agency might consider drafting, including computer use, volunteer and learner policies.

Resources:

Examples of personnel and financial policies are located on the following pages.

You can also find examples of various forms and personnel policies at: literacynow.info/resources/samples.html

INTRODUCTION

The following personnel policies and practices are established in order to serve the best interests of both the employer and employee. These policies serve as a framework within which sound working relationships can be developed between the two parties.

In this document the term "staff" shall mean all volunteer and paid staff. "Employees" shall mean all paid members of the staff. "Program employees" shall mean all employees except the Director. The Executive Director is the Chief Executive Officer. The Executive Committee is comprised of the Officers of the Board of Directors.

These policies and practices shall not be construed to be a contract.

I.   EMPLOYMENT

The Executive Director is ultimately responsible for the employment and termination of all staff.

A.   HIRING
XXXX's employment policy is based on an Affirmative Action Plan that is available for review by any job applicant.

There will be no discrimination in hiring practices with regard to age, color, sex, race, creed, handicap, marital status, national origin, ancestry, sexual orientation, arrest record or conviction record, unless such a qualification genuinely pertains to an applicant's ability to perform the job properly. Hiring practices shall be in accordance with Federal, State and local regulations per Title VII of the U.S. Civil Rights Act of October, 1964 and subsequent revisions.

A written application must be submitted for consideration of employment.

B.   EMPLOYEE VACANCIES
In filling a vacant employee position, XXXX will notify all staff of the vacancy. Consideration will be given to qualified staff members who are interested in applying for the vacant position. XXXX shall provide each applicant with a complete up-to-date job description, upon request.

C.   SUPERVISION
1.   The Executive Director is the immediate supervisor of all staff and employees.
2.   The Board of Directors is the immediate supervisor of the Executive Director.

D.   ORIENTATION PERIOD
1.   Each employee shall serve a two month orientation period.
2.   Upon completion of the orientation period, the Executive Director shall conduct a performance review.
3.   Holidays and sick leave will be paid during the orientation period.

E. EMPLOYMENT RECORDS
1. All program employees shall maintain a permanent record showing hours worked. These records shall be standardized. Each program employee's record shall be reviewed and approved by the Executive Director at least monthly.
2. The Executive Director shall complete a performance review for all employees at the completion of the orientation period, and annually thereafter.
3. In all cases, the review shall be discussed with the employee, who shall receive a copy of the written review. The employee shall have the opportunity to respond to the performance review in writing. All reviews and employee responses shall be included in the employee's permanent record.

F. EMPLOYMENT STATUS
1. Date of hire shall be the date on which the employee is first employed by XXXX.
2. A full-time employee is one who is regularly scheduled to work 40 hours or more per week.
3. A part-time employee is one who is regularly scheduled to work less than 40 hours per week.
4. A limited term employee (LTE) is one who is hired with specific grant, gift or fee-based funds, and his/her employment corresponds with the funding term. LTE's are not eligible for benefits (vacation, paid holidays, sick leave) beyond hourly wages.

II. WORK RULES

A. HOURS
1. Employee work schedules may vary from office hours.
2. Employees are entitled to an unpaid lunch break as mutually agreed upon with Executive Director and a maximum of one 15-minute paid break per four hours of work.
3. The Executive Director will declare "weather days" as required. Employees are eligible for two snow days annually. Any time in excess of the two days shall be made up or employee will use accrued vacation.
4. Employees who elect to tutor shall tutor on a volunteer basis.

B. SAFETY
Each employee has a personal responsibility to work safely and to report any unsafe conditions or practices. Any staff person involved in a job related accident or injury, no matter how minor, must **immediately** report details of the accident to the Executive Director. Failure to do so makes that individual subject to disciplinary action. All staff members working at outreach sites are expected to familiarize themselves with fire alarms, evacuation rules and other pertinent emergency procedures, and to communicate that information to volunteers and clients using the facility.

C. STAFF EXPENSES
Persons designated to represent the Council at meetings, workshops, Conferences, or training sessions can have expenses reimbursed according to the following procedures:

1. Prior approval from the Executive Director is required for attendance at workshops, conferences and training sessions. The request shall include information on the program, time away from work, and estimate of expenses. Approval will be based on XXXX's ability to reimburse expenses.

2. An advance for expenses may be requested. The request shall include estimated cost of travel, lodging and meals. All receipts shall be presented to the Executive Director for approval following the activity. Any overpayment shall be returned
3. For expenses incurred, receipts shall be presented to the Executive Director for approval and reimbursement.
4. All approved travel shall be reimbursed at the rate of 36.5¢ per mile, **effective 2/7/03**.
5. For expenses incurred requiring overnight travel to a conference or workshop, the allowable rate for lodging shall be the lowest per person occupancy room rate available.

D. DISCIPLINARY ACTION
The Executive Director has the responsibility for initiating corrective action in a fair and consistent manner. **THIS REQUIRES PROPER DOCUMENTATION.**

1. Minor infractions are those that violate XXXX rules and may harm the individual staff member, but do not pose an immediate threat to the well-being of the organization. Major infractions are those that violate XXXX rules and impact not only the individual staff member, but also his/her fellow workers.
2. For any infraction, all facts and circumstances should be looked at before deciding what action is to be taken. Each successive step shall be documented in the staff member's personnel file:
   Step 1. Verbal warning, including:
   a. Reason for issuing the warning
   b. Corrective action to be taken
   c. Possible further disciplinary action if additional infractions occur
   Step 2. Written warning, discussion, and possible probationary period: Written warning shall include details summarized above.
   Step 3. As a result of continued infractions, the Executive Director may suspend an employee without pay, for up to five working days, with possible probation or termination, dependent on the facts and seriousness of the offense.
3. When it is deemed by the Executive Director that the offense is of such a nature that the above procedures would not be appropriate, a staff person may be suspended or terminated immediately.

E. GRIEVANCE PROCESS
1. When a situation arises which leads to a complaint or grievance, the staff person shall first discuss the problem with the Executive Director. It is desirable that most differences be resolved at this level.
2. Should a complaint arise which cannot be settled with the Executive Director, the staff person may submit a written statement of grievance to the Executive Committee.
   a. The Executive Committee will review the situation. During the review, the complainant and the Executive Director shall be present to provide information on their actions in regard to the complaint. The Executive Committee will then discuss the issue in closed session with neither present. The Executive Committee will affirm or overrule the Executive Director's action.
   b. The final decision of the Executive Committee shall be reported to the Executive Director for implementation.

       c. The nature of the Committee's work is confidential and the Executive Committee is responsible, through its chairperson, to the Board of Directors. Complaints should be handled on a timely basis and with an attitude of mutual respect.

F. TERMINATION
   1. VOLUNTARY TERMINATION
      a. All staff persons are requested to give written notice to the Executive Director at least two weeks in advance of the termination date.
      b. Employees will receive payment for vacation time accrued through the date of separation.
   2. INVOLUNTARY TERMINATION
      a. Staff may be subject to termination as a result of disciplinary action. Discharge may result from a violation of rules or the inability to perform a job satisfactorily.
      b. The employee will be required to leave the premises immediately.
      c. Severance pay may be offered to an employee.
      d. Employees will receive payment for vacation time accrued through the date of termination.

III. COMPENSATION AND BENEFITS

A. WAGE ADJUSTMENTS
   1. A minimum wage/salary level shall be set for each employee. Increases will be considered each year as the budget permits.
   2. Wage adjustments become effective January 1 of each year.

B. PAY DAY
Employees shall be paid bi-weekly.

C. COMPENSATORY TIME
The normal work week is 15 to 40 hours. Any time accumulated over the normal work hours will be compensated with time off on a one-hour-for-one-hour basis. Compensatory time must be used within thirty (30) days of the date earned: a full-time person may accumulate no more than twenty (24) hours within one month's time, and a part-time person no more than twelve (12) hours within one month's time. It is desirable that compensatory time be taken as soon as possible after it is accumulated, within the limits set forth.

D. PAID HOLIDAYS
   1. The following paid holidays shall be observed: Good Friday, Memorial Day, July 4, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, and the week of December 25 through January 1.
   2. Holidays that fall on Saturday or Sunday will be observed on the closest working day, or the federally designated day.
   3. Full-time employees will receive full pay for all observed holidays.
   4. Part-time employees will receive prorated pay for holidays.

E. VACATION
   1. Employees earn paid vacation time effective on their anniversary date during the first year of employment. After this time, vacation is accrued annually, beginning January 1, as follows:

Full time: First year - 1 week
Second year - 2 weeks
Seventh year - 3 weeks
Twelfth year - 4 weeks

Part time: Same length of service schedule as full-time employees, prorated according to the employees scheduled hours worked per week.

2. Vacation time accrues from date of hire. However, employees may take vacation time only after having completed the orientation period.
3. The Council will prorate and pay vacation time earned, but not taken, at the termination of employment. Upon termination, XXXX will deduct from wages due any vacation time used, but not earned.
4. The maximum amount of vacation that may be carried over into the following year is one-half of the annual accrual rate.

F.   PERSONAL TIME OFF
A maximum of sixteen (16) hours paid personal time off may be granted to all full-time employees within a calendar year. Personal time off hours cannot be accumulated nor carried forward to the next calendar year. Part-time employees are not eligible for paid personal time off.

G.   FUNERAL LEAVE
A maximum of three (3) days leave, with pay, may be taken in the event of a death in the immediate family. Immediate family is defined as: parent, spouse, child, parent-in-law, brother, sister, brother or sister-in-law, step-parent, step-child, step-brother or sister, any generation of grandparent.

H.   JURY DUTY
Employees called for jury duty or as a witness in a court case shall receive compensation for time lost from work, less the amount of any reimbursement received for such service.

I.   SICK LEAVE
1. Full-time employees are eligible for a maximum of 64 hours paid sick leave per calendar year. Part-time employees are eligible for paid sick leave on a prorated basis.
2. Sick leave for part-time employees cannot be accrued nor carried forward beyond the beyond the current calendar year.
3. Full-time employees may carry sick leave forward and accrue a maximum of 60 days.
4. A medical statement signed by an attending physician will be required for periods of absence more than three days.
5. Abuse of sick leave may be cause for disciplinary action.

J.   CHILD CARE LEAVE
1. Child care leave is defined as time off granted as a result of maternity, paternity, or adoption of a child.
2. An employee who has completed one year of employment is eligible for a maximum of six weeks child care leave
3. Full time employees are eligible for paid leave.
4. Part-time employees are not eligible for paid leave but may apply accumulated vacation and/or sick leave time to child care leave time.
5. The employee must give notice to the Executive Director at least 90 days in advance of requested leave, if possible.

K. LEAVE WITHOUT PAY
1. Any employee who has completed his/her orientation period is eligible for leave without pay.
2. Leave without pay may be granted for a maximum of two weeks without prejudice to employment status, with the approval of the Executive Director.
3. A request for leave in excess of two weeks shall be treated as a leave of absence.

L. LEAVE OF ABSENCE
1. A leave of absence without pay may be granted to an employee with the approval of the Executive Director.
2. The duration and special conditions of the leave shall be set down in writing prior to the start of the leave.
3. Factors to be considered when granting the leave are:
   a. purpose of leave
   b. effect on the operation of XXXX
   c. freedom from disciplinary action
   d. length of service
4. Failure by an employee to return to work on the pre-determined date or to secure an approved extension of the leave may result in termination of employment.
5. No benefits shall accrue while an employee is on a leave of absence.
6. Every effort will be made to return the employee to his/her former position or like position with similar pay. There is no assumed guarantee unless agreed to in writing prior to leave of absence.

IV. **EXCEPTIONS**
Any exception to these policies shall be referred to the Executive Director. The Executive Director shall review the exception and submit recommendations to the Executive Committee for approval.

A. LEAVE OF ABSENCE

V. **CHANGES**
A. The Executive Director and the Executive Committee shall review these policies as necessary, and recommend any appropriate changes to the Board of Directors.
B. Employees shall be notified of changes in these policies prior to their implementation.
C. Any changes in these policies shall be accompanied by an effective date for current employees.
D. Any changes in these policies shall be effective immediately for all persons hired after the after the date of approval.

VI. **EFFECTIVE DATE**
Effective date that these policies shall apply to current employees is November 5, 1997.

VII. **DATE LAST REVIEWED BY EXECUTIVE COMMITTEE**
May 4, 2005

FINANCIAL POLICIES

PROCUREMENT POLICY

PURPOSE: To provide a method by which purchases can be made for the XXX organization.

ATTACHMENT: Purchase Order

1. Designated Staff shall use purchase orders whenever possible to purchase goods and services. The purchase orders will be pre-numbered. Purchase orders (POs) shall be completely filled out and approved by the Executive Director and/or Board of Directors prior to the purchase. POs are obtained from the Executive Director or designated staff person.

2. Use of POs shall be recorded in a computer generated PO Log at the time they are initiated. The computer log will contain the number of the PO, the date the PO is issued, the name of the staff person requesting the PO, and the vendor. If a purchase order is void after issuance it will be so noted in the log.

3. Purchases less than $100.00 shall be made at the discretion of the Executive Director.

    When quotes are required, they shall be documented and attached to the purchase order when applicable. The quotations shall include:
    The potential vendor's name & address, description & necessity of purchase, estimated cost and amount not to exceed, payment terms and date of delivery.

    The Treasurer and President of XXX shall approve purchases over $100 dollars and not exceeding $500. Purchases over than $500.00 shall be reviewed and approved by the full Board of Directors, or a designated committee of the Board. Such items may be approved in the budget process and must indicate payment allocated from grant or general funds.

    All approvals for purchase shall be voted on at the monthly Directors meeting. The exception to this rule is necessity due to non-meetings, scheduled meeting that have previously occurred for the current month. These will be e-mailed to all Board of Directors and voted per the By-Laws of majority votes by e-mail. Reference "Organizational By-Laws" Article VI section 5 & 6.

4. The purchase order shall be filled out completely indicating the specific program to be charged in the account and fund section of the PO. The purchase order shall indicate purpose of purchase in the notes/remarks section of the po. The Executive Director shall review each purchase order for reasonableness; necessity of purchase, and to ensure the purchase amount is within budget. After review, the Executive Director shall approve and forward to the Treasurer, President or Board of Directors as appropriate.

5. Upon full approval, the purchase order shall be forwarded to the vendor and the XXX organization will retain a copy. Designated staff shall be responsible for ensuring that the item is received and documenting receipt on the packing slip, invoice or PO. Upon verification of receipt, the copy of the purchase order shall be filed in the prospective "Open Accounts Payable" file to be attached to the invoice when it is received.

ACCOUNTS PAYABLE POLICY

PURPOSE: To provide a procedure to insure all invoices are properly authorized for payment and are charged to the appropriate accounts.

ATTACHMENT: None

1. The Executive Director will indicate on each invoice, the account(s) to which the expense is to be charged or whether it is to be allocated, initial and date to be paid. Verification of receipt (purchase order) will be attached to the invoice.

2. The XXX will pay from Invoices and not from Statements. "Statements" summarize all invoices issued in prior months and during the current month indicating past due amounts. Statements should be utilized to verify receipt and payment of invoices listed, and not as the basis for payment due.

3. After approval, all invoices are faxed to the Accounting Services for XXX.

4. The Accounting Services will process checks for invoices designated by the Executive Director for payment. However all checks generated require signature of the Treasurer as well as the Executive Director.

5. The Accounting Service will review each invoice, verify the fund source and receipt documentation, and assign the expense period according to the Executive Directors indication, but within required payment deadlines. Scheduling will be made to take advantage of any cash discounts being offered

6. To maximize efficiency and keep costs at minimum, accounts payable checks will be processed twice a month, at the same time payroll checks are processed (15th & 30th respectively). Additional checks may be issued at the Director, Treasurer, or President's request.

7. The XXX is exempt from sales tax. If sales tax is billed, the sales tax will be deducted from the invoice, and a copy of the tax-exempt status shall be mailed with the check.

8. All checks generated for payment require two (2) signatures. The Treasurer and Executive Director are authorized check signers.

9. All checks must have two (2) signatures. A third (3) person designated from the Finance Committee that will be noted at XXX's Financial Institution as a signer in the absence of the Treasurer of Executive Director.

10. The Accounting Service will process accounts payable checks and mail to the Treasurer of XXX. The checks will be signed by the Treasurer and forwarded to the Director for his/her signature. Time lapse between receipt of checks by the Treasurer and receipt to the Executive Director shall be 2 business days.

11. The Executive Director disburses payment of Accounts Payable checks. Each check is mailed with the remittance stub and tax-exempt status (if applicable) to the vendor. The Treasurer for XXX may disburse payments in the absence of the Director.

12. The check number and the date are indicated on the invoice/source documentation for the invoice and filed in the appropriate vendor folder; most current paid first.

13. All payments due to vendors will be recorded on the cash flow projection with the due date and estimated pay date and remain on the cash flow projection until payment has been processed.

CASH RECEIPTS POLICY

PURPOSE: To provide a procedure for depositing cash receipts when they are received.

ATTACHMENT: Deposit Summary Log

1. When the designated staff member opens the mail, any cash receipts received are stamped with the date received and forwarded to the Executive Director. Cash receipts from other sources are forwarded to the Executive Director as they are received.

2. The Executive Director will endorse checks "For Deposit Only." The cash receipts are recorded on the deposit summary log. The Executive Director reviews the Cash Receipts and Deposit Summary Log for completeness and accuracy of account code assignment prior to faxing to the Accounting Service. The items for deposit are then totaled and the total is recorded on the next line of the log.

3. The checks and summary are placed in the bank bag, in a locked file cabinet until the Executive Director or his/her designated staff deposits them into the appropriate account at the bank

4. The Executive Director deposits cash receipts directly to the appropriate bank account at XXXX Bank of XXX organization on a daily basis.

5. A copy of the deposit log and the deposit ticket from the bank is faxed to the Accounting Service on the next business day.

6. The Accounting Service will record the cash receipts into the XXX financial records and the cash flow projection to be forwarded to the Treasurer and Executive Director for the next Board of Directors meeting.

PETTY CASH POLICY

PURPOSE: To provide a procedure for managing petty cash.

ATTACHMENT: Petty Cash Summary

1. The amount deemed as "Petty Cash" shall be determined by the Executive Director and all purchases must be pre-approved by him/her. Petty cash purchases are made for items of ten dollars ($10.) or under. Reference: XXX "Personnel Policies and Practices" - - *Petty Cash.*

2. Tax-exempt certification must be used when applicable.

3. Petty Cash shall be kept in a locked file cabinet. Access to petty cash shall be limited to the Executive Director and his/her appointed staff member and the XXX Treasurer.

4. When the Executive Director/designated person receives money for petty cash items or disburses money from the petty cash fund, it shall be recorded on the Petty Cash Summary indicating the reason for money being received or disbursed and the receipt for that purchase. All transaction recorded will be initialed by the designated XXX person for money received or disbursement. **(NOTE: FORM MUST BE REDONE TO ADEQUATELY ACCOUNT for STUDENT PURCHASES OF BOOKS/NOTEBOOKS and quantity, ETC AND DISBURSEMENT FOR SUPPLIES BY XXX.)**

5. Any excess petty cash is deposited in the bank in accordance with the XXX cash receipts policy. Excess cash shall be an amount that is $10 over the normal petty cash balance. Reference: "XXX Organizational By-Laws," Article X, section 2 & 3. Petty cash shall be counted weekly and the balance recorded on the Petty Cash Summary and initialed by the staff person.

6. Petty cash is reimbursed with a check to Petty Cash generated by the appointed Accounting Services for XXX. Reimbursement must be approved by the Treasurer and accompanied with a pre-numbered purchase requisition with explanation of requirement.

7. Petty cash shall be audited once a month by the Treasurer of XXX and approved by the President. Petty cash audit files are kept in a designated cabinet at the XXX office.

TRAVEL AND EXPENSE POLICY

PURPOSE: To provide a method to claim reimbursement for allowable travel and expenses.

ATTACHMENT: Expense Statement

1. Staff will fill out one (1) expense statement per month to claim reimbursement for work related mileage and travel expenses. Mileage will not include commute from home to work. Reference: Personnel Policies and Practices "Expense Reimbursement," Provision of beverages, etc and Mileage reimbursement.

2. Mileage reimbursement for the use of employee's personal vehicle in the performance of his/her duties shall be paid at the established rate from the IRS. Mileage claimed will not include the distance from home to work.

3. Expense Statements for staff will be reviewed and approved by the Executive Director. The Expense Statement for the Executive Director will be reviewed and approved by the Board President. If the Board President is unavailable, the Board Vice President, or other Board officer will make the approval/disapproval decision.

4. Approved Expense Statements will be forwarded to the Accounting Service for reimbursement in accordance with accounts payable procedures.

5. Conferences and other trips further than 100 miles one (1) way from the XXX office require prior authorization by the Executive Director. The Executive Director's travel request further than 100 miles (1) way will require approval by a quorum of the Board of Directors.

PAYROLL POLICY

PURPOSE: To provide a procedure for the XXX payroll.

ATTACHMENT: Employee Status Change Form
Timesheet
W-4 Withholding Certificate
INS I-9 Form
WI WT-4 Form

REFERENCE: Personnel Policies and Practices, XXX Organization

1. Hiring

    a. The XXX Board hires the Executive Director.

    b. The Executive Director hires all other employees.

    c. An Employee Status Change Form will be completed and signed by the Executive Director for all new hires, changes in pay, transfers, promotions, resignations, or other personnel actions. An Employee Status Change Form for the Executive Director will be completed based on the action of the XXX Board, as documented in the XXX approved Meeting Minutes. The original of the Employee Status Change Form is placed in the Personnel File and a copy is forwarded to the Accounting Services for payroll action.

    d. The Executive Director will ensure that each employee completes a W-4 Withholding Certificate, INS I-9 Form and WI WT-4 Form. The originals of these forms are placed in the Personnel File and copies are forwarded to the Accounting Services for payroll action.

2. Payroll Payment

    a. Each employee shall complete a timesheet after each day worked.

    b. Employees will report hours twice a month, on the 15th (1st through 15th) and the 30th/31st (16th through 31st) of each month.

    c. Checks generated for payroll will be received by each employee on the 5th business day after submitting their timesheets.

    d. The Executive Director or their designee shall forward time sheets to the Accounting Services, within one (1) day of the end of the payroll period.

    e. The Accounting Service will process checks for timesheets received by the 1st and the 16th of the month, respectively.

f. XXX Board of Directors requires 2 authorized check signers.

g. Time sheets for vacation taken may be completed prior to the vacation being taken. Completed and signed Timesheets shall be turned into the Executive Director on the last day the employee works during the payroll period.

h. The Treasurer, in accordance with XXX check signing procedures, will sign payroll checks and forward them to the Executive Director. The Executive Director will deliver payroll checks by hand to each staff member.

3. Withholding

a. Federal income tax and FICA will be deposited in accordance with IRS policy. The Accounting Service will prepare a check for the payment of these taxes and forward it to the Treasurer/Executive Director in accordance with accounts payable policies. The Executive Director is responsible for the timely deposit of the tax payment check to the First National Bank. The tax payment is due the 15th of the month following the activity.

b. Wisconsin income taxes will be deposited at the end of each month, for activity during the preceding month, with the Wisconsin Department of Revenue. The Accounting Service will prepare a check for the payment of these taxes and forward it to the Treasurer/ Executive Director in accordance with accounts payable policies. The Executive Director is responsible for the timely mailing of the tax payment check, by the end of the month. The tax payment is required to be postmarked by the last calendar day of the month following the activity.

4. Tax Reports

a. <u>Federal</u>

1. The quarterly report is completed by the Accounting Service and forwarded to the Treasurer/Executive Director in order to meet the following deadlines.

2. The Employer's Quarterly Federal Tax Return is required to be filed on the following schedule:

Quarter Ending	Due Date
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

3. W2 Forms reporting wages paid and taxes withheld for the calendar year are required to be delivered to employees by January 31. The Accounting Service will prepare the W2s and forward them to the Executive Director for distribution by January 31st.

4. Copy A of the W-2 Forms will be prepared, by the Accounting Service, for submission to the Social Security Administration signed by the Executive Director, along with Form W-3, Transmittal of Income and Tax Statements, by the last day of February.

b. Wisconsin

1. Form WT-6 is prepared by the Accounting Service to report monthly Wisconsin taxes withheld. The remittance of withheld taxes is mailed with the form.

2. Form WT-7 (Annual Reconciliation) is due January 31. W-2 forms Copy 1, are attached. Forms and instructions are provided by the State.

c. These forms are standard governmental issue and provided to the XXX by the Federal or State Government.

ASSETS AND DONATIONS POLICY

PURPOSE: To establish policies related to the management of property and maintenance of inventory.

ATTACHMENT: Example of Asset Listing

REFERENCE: Finance Policies, XXX Organization

GENERAL

1. Personal or real property procured with XXX funds or transferred from programs designated for the sole usage of XXX must be used for those purposes authorized as such usage.

2. All such property must be properly maintained to keep it in good condition and safeguarded from loss, theft or damage.

3. Prior Board of Directors approval is required for purchases or lease-purchase of non-expendable personal property with a unit acquisition cost of $500 or more. *Reference "Procurement" in the Finance Policies.*

4. Donations in kind, services and property shall be recorded by the Finance Committee and maintained by the Accounting Service.
> **A.** All donations in kind or services shall be recorded with a valuation of such donations in kind or services, determined by the current price of the donation or service**.**

5. Disposal of donated material or items shall be at the discretion of the Executive Director; however the disposal shall be communicated to the Finance Committee for updating of the files and the Auditing Service.

Property Control

1. The useful life expectancy of a fixed asset greater than one year and a cost of more than $1,000 will be capitalized.

2. The useful life expectancy of a donated asset greater than one year and a cost of more than $1,000 fair market value will be capitalized.
> **A.** All donations with a fair market value of $500 or greater will be recorded and maintained by the Finance Committee and forwarded to the Accounting Service for donation in kind purposes as well as recording assets obtained.
> **B**. All materials donations will be recorded by the Finance Committee and forwarded to the Accounting Service for recording of donations in kind.

3. A property inventory register will be generated and maintained by the Accounting Service. Purchases will be added to the inventory upon receipt or payment of such goods.

4. The inventory register will include all items with a unit acquisition price of $1,000 or more**.**

5. The inventory register will contain the following information:
> **Description of the property**
> **Serial number/model number**
> **Inventory tag**
> **Dated received**
> **Acquisition source**
> **Program or grant under which the purchase was made**
> **Name of the holder**
> **Location of the property**
> **Condition of the property**

6. Identification tags will be attached to all property on the register. Property tags are to be attached in an area as easily accessible as possible, but out of sight. Property tags will be numbered in a six digit sequence

> **XX= program year, XX= program month and XX= consecutive numbering beginning with 1.**

7. An inventory will be conducted by the Finance Committee every 2 years**.**

> **A**. Missing property must be located and noted in the inventory register if destroyed or donated**.**

Audit of Assets

1. The Finance Committee will be responsible for the physical property inventory audit and may designate others to assist as required.

2. Obtain property inventory register from the Accounting Service prior to beginning of audit. This list should include the donated assets.

3. A property inventory sheet will be used to record inventory id, description of property, model or serial no, condition of asset and the date verified.
> **A.** Locate and verity the inventory id tag for all the property being audited.
> **B.** Record all information required on the inventory sheet. The donated items should be recorded separately from the other assets. Separate listing will insure differential between purchased and donated.
> **C.** Record changes in condition of all items audited.
> **D.** Inventory tags that have be removed or fallen off the item being audited will be replaced utilizing the same initial number.
> **E.** Completed forms should be dated and forwarded to the Auditing Firm, retaining a copy for XXX.

4. At the time of the audit, and items that are obsolete, broken and not repairable or are not utilized should be disposed of and recorded as such.

vi. Staff Management

Personnel costs typically account for 60-70 percent of a nonprofit's total expense budget (*1994, Support Centers of America*). For this reason, successful management of staff members becomes a crucial component to the organization's success.

What is staff management?

Staff management refers to the management of the organization's "human" resources. Proper management ensures that personnel policies and practices are applied fairly and consistently to protect and provide staff with a safe work environment conducive to productivity, that the organization is in compliance with local, state and federal laws, and that the organization's mission is supported by the employees that are hired.

Why is it necessary?

It is essential for your organization to have solid staff in place to carry out programs and administrative functions. While volunteers can be helpful to an organization, depending on the size of your budget, future donors may question the commitment level of your staff if you rely too heavily on volunteers. The consensus among funders is that paid staff is more reliable than unpaid volunteers.

Successful management of staff is crucial for an organization's success.

Whose job is it?

In a mature organization, there are three participants in staff management: the board, executive director and line managers. Line managers are managers who directly supervise the work of other staff.

In many smaller organizations, this responsibility will fall to the board and executive director. The role of the board is governance and the role of the executive director is management. Sometimes the roles can become blurred. In clarifying whose job it is, the board and the executive director must always keep in mind the board's legal responsibilities and liabilities as the employer.

What is involved in staff management?

Managing staff involves two critical functions: staffing and supervision.

Staffing includes:

- deciding what "human resources" are needed to meet the organization's goals
- hiring (recruiting, screening and selecting) and terminating employees
- equipping new hires (via orienting, training, etc.)

Supervising is overseeing the progress and productivity of direct reports, often by:

- setting mutual goals and providing ongoing training
- conducting regular performance reviews
- ensuring sufficient rewards (compensation, benefits, etc.)

Managing staff includes two functions: staffing and supervision.

What are some of the major responsibilities for staffing?

- Deciding what "human resources" are needed:
    - Often, organizations realize the need for a new employee when others continue to report being short-handed, mention that certain tasks are not being done, are working overtime, etc. Ideally, planning for a new role should be done during strategic planning or when a new service is added to the organization.
    - It's critical that organizations know what they want from their prospective employees. This not only allows them to secure the best person for the job but also insures that they are hiring employees that will move the mission of the organization forward. A good place for managers to start is by developing job descriptions.
    - Job descriptions are lists of the general tasks, or functions, and responsibilities of a position. Typically, they also include to whom the position reports, specifications such as the qualifications (knowledge, skills and abilities) needed by the person in the job, salary range for the position, etc. Typically, job descriptions are used especially for advertising to fill an open position, determining compensation and as a basis for performance reviews.
    - Do not seek job descriptions from other organizations and merely adopt those. Your open position is unique and job descriptions are very important. You should develop your own; the process of completing the job description is usually enlightening.

What about hiring and terminating employees?

Hiring (Recruiting, Screening and Selecting) Employees

- *Recruiting:*
    - Advertise the position by posting ads in classified sections of local major and neighborhood newspapers. In the ads, include the job title, general responsibilities, minimum skills and/or education required, whom they should send a resume to if they are interested and a deadline. Consider having a closing date after which you won't accept resumes.
- *Screening:*
    - When screening resumes, note:
        - o the candidate's career objective – or the lack of.
        - o if they stayed at jobs for a long period of time or left quickly. Are there holes in their work history?

- o their education and training. Is it appropriate for the new role? Consider what capabilities and skills might be evidenced by their past and current work activities.
- Consider routing resumes past key employees to collect their rankings. Interview all candidates that meet the minimum qualifications.

- *Selecting:*
  - Send the job description to candidates before they come to the interview meeting.
  - Interview the candidates.
  - While interviewing candidates, always apply the same questions to all candidates to ensure fairness.
  - All questions should be in regard to performing the duties of the job.
  - Ask about their compensation needs and expected or needed benefits.
  - Attempt to ask open-ended questions, i.e., avoid "yes-no" questions.
  - Don't ask questions about:
    - o race,
    - o nationality,
    - o age,
    - o gender,
    - o disabilities (current or previous),
    - o marital status,
    - o spouses,
    - o children and their care,
    - o criminal records or
    - o credit records.

  Ask all candidates the same questions.

  - Before making a final decision, contact a candidate's references, including previous employers, to ask some questions about the candidate's ability.

When you have decided on a likely candidate for the job and they accept, always follow-up with an offer letter, specifying the compensation, benefits and starting date. Reference an attached job description. Ask them to sign a copy of the offer letter and return it to you. Include a copy of this letter along with tax withholding forms, the job description and any benefit forms in their personnel file.

Consider including a six-month probationary period for the new position. If you do so, be sure to update your personnel policies to describe your organization's use of the probationary conditions. A probationary period allows you to fire an employee during the first six months if you have concerns and greatly decreases the chances you will be sued for wrongful termination.

Resources:

Screening Applicants:
www.managementhelp.org/staffing/screeng/screeng.htm

Interviewing Job Applicants:
www.managementhelp.org/staffing/screeng/intrvwng/intrvwng.htm

Selecting (Hiring) New Employees:
www.managementhelp.org/staffing/selectng/selectng.htm

Job Offers:
www.managementhelp.org/staffing/selectng/job_offr/job_offr.htm

Terminating Employees

Performance-related terminations inevitably arise because some employees cannot fulfill the requirements of their job. These situations can be risky. Employees sometimes react irrationally and lawsuits are a risk. A progressive discipline policy is a must. The policy must provide a process in which the employee is notified in writing of the performance problem(s) and it must allow a period of time for the employee to correct their performance problem (except for extreme behavioral problems, such as theft or violence). If the employee remains and their performance does not improve after a reasonable amount of time, inform them as politely as possible that it didn't work out and send them on their way. Document every step of the process as a defense against possible lawsuits.

Equipping New Employees

Develop an employee orientation checklist and consider the following activities for inclusion on the list:

Develop a good staff orientation.

- Before the employee begins employment, send this individual a welcome letter verifying the starting date.
- When the employee begins employment, meet with him or her to explain the training process, introduce staff, sign any needed benefit and tax forms, and provide the employee's policies and procedure manual if the new employee did not receive one already.
- Tour the facilities.
- Schedule any needed computer training.
- Take the new employee to lunch on the first day and invite other employees along. Follow up at the end of the day to hear any questions or comments.
- Meet with the new employee during the first few days of employment to review the job description again. Review any specific goals for the position and explain the performance review procedure and provide a copy of the performance review document.

What are some of the major responsibilities for supervising?

Set mutual goals and provide ongoing training.

One of the common problems that managers experience is no clear, strong sense of whether their employees are really being effective or not. The first step toward solving this problem is to establish clear performance goals.

Despite the negative views that some employees can have about goals, they:

- provide clear direction to both manager and employee.

- form a common frame of reference around which the manger and employee can effectively communicate.
- clearly define "success."

Goals can be established for a variety of reasons, i.e., to overcome performance problems, qualify for future jobs and roles and/or give direction to training plans. Whatever the type of goal, it's critical that the employee have strong sense of ownership and commitment to achieving the goal. This can be achieved by having the manager and employee work together to identify the needed/desired goals.

Employee job training can be instituted for various reasons:

- a performance appraisal indicates performance improvement is needed
- as part of an overall professional development program
- as part of succession planning
- to train about a specific topic

There are four basic types of training:

- Self-Directed Learning
  - Self-directed learning is where the learner decides what he or she will learn and how.
- Other-Directed Learning
  - Other-directed learning is where other people decide what the learner will learn and how.
- Informal Training
  - Informal training has no predetermined form. This is probably the most common type of training and includes on-the-job training, coaching from supervisors, using manuals and procedures, advice from peers, etc.
- Formal Training
  - Formal training has a predetermined form. The form usually includes specification of learning results, learning objectives and activities that will achieve the results, and how the training will be evaluated. Examples are college courses, workshops and seminars.

Conduct regular performance reviews. Measuring employee performance has come a long way from the annual performance review to an ongoing performance management process. In the past, managers and employees met once a year for the annual performance review to look back at the work done during the previous year and to evaluate what was accomplished. In recent years, there has been a shift away from performance reviews to a more comprehensive approach called performance management.

Measuring employee performance is an ongoing process.

Performance management is an ongoing process where the manager/supervisor and employee work together to plan, monitor and review an employee's work objectives or goals and overall contribution to the organization.

Performance management starts with a work plan that identifies for the employee what is to be accomplished and how. The plan is followed up with informal, ongoing monitoring and feedback on his/her progress towards the objectives set in the plan. At the end of the performance period - usually a year - the manager and employee meet to summarize the accomplishments and challenges of the past year and document the discussion using a performance management form.

Resources:
Example Performance Management Forms:
www.performancereview.com/pfasp/excleri.asp
iso9k1.home.att.net/pa/sample_performance_appraisal.pdf

Ensure sufficient rewards. Don't just count on cultivating strong interpersonal relationships with employees to help motivate and retain them. Instead, use reliable and comprehensive systems in the workplace to help. For example, establish organizational policies and procedures, compensation systems and employee performance systems to support employee motivation and retention. Also, establishing various systems and structures helps ensure clear understanding and equitable treatment of employees.

Sources:

McNamara, Carter. Field Guide to Leadership and Supervision. Authenticity Consulting, LLC. Copyright 1997-2007.

www.managementhelp.org/staffing/specify/job_desc/job_desc.htm

www.managementhelp.org/np_progs/sup_mod/staff.htm

Foundation Center:
foundationcenter.org/getstarted/tutorials/establish/staff.html

Resources:

A General Human Resources checklist is located on the following page.

The Nonprofit Good Practice Guide:
www.npgoodpractice.org

Staff Screening Tool Kit 3rd Edition:
nonprofitrisk.org/library/fact-sheets/screening.shtml

"It Pays to Help New Staff Start Right"
www.businessknowhow.com/manage/newstaffstartright.htm

HR Management Toolkit:
www.hrcouncil.ca/index_e.cfm

Employment Law Guide for Non-Profit Organizations:
probonopartnership.org/PBPGuide/frame.htm

"Human Resource Management: Best Practices for Nonprofits"
www.wcnwebsite.org/practices/resources.htm

General Human Resources

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization has a written personnel handbook/policy that is regularly reviewed and updated: a) to describe the recruitment, hiring, termination and standard work rules for all staff; b) to maintain compliance with government regulations including Fair Labor Standards Act, Equal Employment Opportunity Act, Americans with Disabilities Act, Occupational Health and Safety Act, Family Leave Act, Affirmative Action Plan (if required), etc.			
R	2. The organization follows nondiscriminatory hiring practices.			
R	3. The organization provides a copy of or access to the written personnel policy to all members of the board, the Executive Director and all staff members. All staff members acknowledge in writing that they have read and have access to the personnel handbook/policies.			
R	4. The organization has job descriptions including qualifications, duties, reporting relationships and key indicators.			
R	5. The organization's Board of Directors conducts an annual review/evaluation of its Executive Director in relationship to a previously determined set of expectations.			
R	6. The Executive Director's salary is set by the Board of Directors in a reasonable process and is in compliance with the organization's compensation plan.			
R	7. The organization requires employee performance appraisals to be conducted and documented at least annually.			
A	8. The organization has a compensation plan, and a periodic review of salary ranges and benefits is conducted.			
A	9. The organization has a timely process for filling vacant positions to prevent an interruption of program services or disruption to organization operations.			
A	10. The organization has a process for reviewing and responding to ideas, suggestions, comments and perceptions from all staff members.			
A	11. The organization provides opportunities for employees' professional development and training with their job skill area and also in such areas as cultural sensitivity and personal development.			
A	12. The organization maintains contemporaneous records documenting staff time in program allocations.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Be sure to read **How to Use this Tool** and **Disclaimer** at www.managementhelp.org/org_eval/uw_hr.htm before using information in this document. Edited by Carter McNamara, MBA, PhD.