

s c a n p o l | SOUTH CAROLINA ASSOCIATION
OF NONPROFIT ORGANIZATIONS

Serving, supporting and strengthening nonprofits for a better South Carolina

The Changing Landscape of Nonprofit Compliance

History of SCANPO

- **Founded in 1997 to support and strengthen the state's nonprofit sector**
- **Over 800 member organizations**
- **Advocacy, Training, and Membership discounts are our focus areas**

SCANPO Mission

The mission of the S.C. Association of Nonprofit Organizations (SCANPO) is to serve, support and strengthen nonprofit organizations for a better South Carolina.

Vision All nonprofit organizations in South Carolina will exhibit the highest standards of accountability and effectiveness which result in a better quality of life for the citizens of our state.

Goals

- **To provide high-quality assistance, information and training on effective practices in nonprofit management and leadership.**
- **To help nonprofits save money on operating costs.**
- **To serve as an affective advocate for the state's nonprofit community as a whole.**
- **To foster communication between SCANPO and the state's nonprofits and among nonprofits themselves.**
- **To develop SCANPO as a sustainable, growing resource for nonprofits in South Carolina.**



PRESERVING THE PUBLIC TRUST

Guiding Principles & Best Practices For South Carolina Nonprofits

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Topics

- **Background to GPBP**
- **Goals of initiative**
- **Progress to date**
- **Overview of GPBP**
- **How SC nonprofits measure up**
- **How SC public views nonprofits**
- **What IRS expects of nonprofits**
- **Q & A**

Background

- » **Enron**
- » **Sarbanes-Oxley**
- » **Independent Sector**
- » **Senator Grassley**
- » **Other States' Initiatives**
- » **SC – Sisters of Charity, Springs Close & Donnelley Foundations funded SCANPO**

PRESERVING THE PUBLIC TRUST

Project Goals & Objectives

- **Develop guiding principles & best practices for SC nonprofits**
- **Promote and support adherence through education, training and building awareness**
- **Evaluate changes in practices**
- **Demonstrate SC nonprofits can govern themselves**
- **Increase public trust**

Role of the Blue Ribbon Task Force

- **Oversee initiative – meet quarterly**
- **Develop, review, endorse a set of principles & best practices**
- **Provide input & expertise to content areas**
- **Contribute to marketing, curriculum development, evaluation efforts**

Phase 1– Research & Design/05-06

- **Recruit task force**
- **Research, assemble, edit a draft set of guiding principles/best practices**
- **Secure BRTF consensus on draft**
- **Create evaluation plan**
- **Conduct baseline surveys**
- **Conduct regional listening sessions**

Phase 2 – Implementation/06-07

- **Design & develop tools (curriculum, job aids, checklists)**
- **Pilot tools and refine**
- **Enhance SCANPO's website**
- **Create communications/outreach program**
- **Implement evaluation plan**

GPBP Evaluation

- Training feedback
- Action plans for change
- Actual change in practices
- Impact of change - ROI
- Track use of materials
- Track # adopting principles/practices
- Satisfaction
- Public/media perceptions
- BRTF feedback from SC communities

Communication Plan

- Increase awareness of need to self-regulate
- Secure nonprofits' commitment
- Reach all nonprofits & foundations across SC
- Keep partners aware
- Promote effort regionally/nationally as model
- Regional meetings
- Articles/news releases
- Meetings with Sec'y of State, legislators, other key partners
- Use of SCANPO newsletters, website, listserv
- Use of BRTF networks

Regional Listening Sessions in SC

- Myrtle Beach
- Rock Hill
- Greenwood
- Spartanburg
- Columbia
- Aiken
- Anderson
- Charleston
- Florence
- Greenville
- Hardeeville/Beaufort

600 + participated

Guiding Principles & Best Practices for South Carolina Nonprofits

- **Mission & Planning**
- **Governance**
- **Human Resources**
- **Operational Planning & Evaluation***
- **Financial Management**
- **Accountability, Transparency & Legal Compliance**
- **Fundraising**
- **Marketing & Communications***
- **Information Management**

* New

Key Concepts Behind the Guiding Principles and Best Practices

Mission & Planning

- **Vision, values, mission drive planning**
- **Vision, values, mission drive decisions**
- **Board reassesses v/v/m**
- **Board examines strategic direction**
- **Planning includes transitions**

Governance

- **Greatest number of practices (15 of 87)**
- **What the board does:**
 - **Provides leadership & direction**
 - **Functions at policy/strategy level**
 - **Ensures compliance**
 - **Speaks with one voice**
 - **Exercises duty of care/loyalty/good faith**
 - **Recruits strategically/ensures diversity**
 - **Evaluates chief executive**
 - **Contributes financially**

Accountability, Transparency & Legal Compliance

- **Legal and ethical obligations**
- **Adherence to applicable laws**
- **Code of ethics**
- **Conflict of interest policy (IRS)**
- **Whistleblower policy (SOX)**
- **Programs evaluated**
- **Complaint procedure**
- **Annual report**

Operational Planning & Evaluation

- **Based on m/v/v, develop & work from plan to achieve goals**
- **Modify it as needed**
- **Budget reflects plan and resources**
- **Evaluate and measure outcomes**
- **Communicate results**
- **Plan for disasters and keep Board informed**

Financial Management & Stewardship

- Internal controls
- External audit
- Audit committee
- Approved annual budget
- Board has financial expertise or seeks expert advice
- Approved investment policy
- Risk management plan in place
- Board familiar with 990

Human Resources

- **People are essential assets**
- **Values support work environment**
- **Employees/volunteers**
 - **Know expectations**
 - **Are skilled**
 - **Are diverse**
 - **Are evaluated**
 - **Earn livable compensation**
 - **Receive benefits**
- **Key policies in place: conflict of interest, complaints**

Fundraising

- **AFP standards as model**
- **Ethical & fiduciary obligation to donors**
- **Gift acceptance and use policies**
- **Donor intention and privacy safeguards**
- **Fundraising plan**
- **Board involved in fundraising**
- **Fundraising communications are accurate and honest**
- **No commission or % for fundraisers**

Marketing & Communications

- **Establish standards**
- **Be consistent**
- **Define your audiences**
- **Develop plan with measurable goals that support the strategic direction of the organization**
- **Get Board commitment to the plan**
- **Reassess plan and change as needed**

Information Management

- Timely, accurate, relevant info
- Technology is important tool
- Policies for security, data storage, back-up, access rights, confidentiality, etc.
- Staff/board/volunteers have tech skills
- Policy for records retention/destruction (SOX)
- Protection of intellectual property rights
- Disaster plan in place

The New 990

A Focus on Governance!

WHO MUST FILE?

- **For organizations with more than \$1 million in gross receipts OR total assets over \$2.5 million must file this form for the 2008 tax year, with the first filing in 2009.**
- **Organizations with gross receipts less than \$1 million AND total assets under \$2.5 million can file a Form 990-EZ for the year 2008.**
- **For the year 2009, only organizations with gross receipts less than \$500,000 AND total assets under \$1.25 million may file the 990-EZ.**
- **For 2010, an organization's gross receipts must be under \$200,000 AND total assets under \$500,000 to file the 990-EZ.**
- **Organizations must file electronically if they have \$10 million or more in total assets at the end of the tax year and filed at least 250 'returns' (includes W-2s) during the year.**

Phase In of Filing Requirements

May file <u>990-EZ</u> or 990 for:	If gross receipts are:	And if assets are:
2008 tax year (filed in 2009)	>\$25,000 and < \$1 million	<\$2.5 M
2009 tax year (filed in 2010)	>\$25,000 and <\$500,000	<\$1.25 M
2010 and later tax years	>\$50,000 and <\$200,000	<\$500,000
*<=990-N, >=990		

New Form

- **“Core Form”** – for all organizations
 - Part I: Summary
 - The organization “tells the story” up front (signed by an officer)
 - Snapshot of financial, governance and operations information including a 2-year comparison of key financial data
 - Part II: Signature Block
 - Part III: Statement of Program Service Accomplishments
 - Part IV: Checklist of Required Schedules
 - Part V: Statements Regarding Other IRS Filings and Tax Compliance
 - **Part VI: Governance, Management and Disclosure**
 - **Part VII: Compensation to Officers, Directors, Trustees, Key Employees, HCEs and ICs**
 - Part VIII Statement of Revenue
 - Part IX: Statement of Functional Expenses
 - Part X: Balance Sheet
 - Part XI: Financial Statements and Reporting

Core Form - Part VI (Governance, Management, and Disclosure)

- **IRS cannot require governance, management or disclosure policies - but absence of policies could lead to opportunities for excess benefit transactions**
- **This section has 3 parts:**
 - **Governing Body & Management (6a)**
 - **Policies (6b)**
 - **Disclosure (6c)**

Core Form – Part VI Continued

This section of the form requires organizations to disclose information regarding their governing bodies.

Some items the section asks about:

- the relationships between directors, officers, trustees, and key employees**
- The recording of board and organizational meetings**
- The accountability of the governing body to other members of the organization and transparency to the public.**

Core Form – Part VI Continued

Policies

The new Form 990 also asks whether or not the organization has specific written policies in place:

- Whistleblower Policies**
- Conflict of Interest Policies**
- Document Retention and Destruction**

Board, Executive, and Employee Compensation Determination:

- Does the process for determining the compensation include review and approval by independent persons and comparability data?**

Core Form - Part VI: Governing Body & Management (a)

- Provide numbers in place at the end of tax year
- “Independent” – defined in instructions
- not independent if governing body member (or relative) receives certain levels of compensation from filing organization or related organization

Part VI Governance, Management, and Disclosure (Sections A, B, and C request information about policies not required by the Internal Revenue Code.)

Section A. Governing Body and Management

Core Form - Part VI

Governing Body & Management (a)

Family Relationship:

- **Spouse and ancestors...**
- **Siblings, children, grandchildren, great grandchildren, and spouses of these individuals.**

Core Form - Part VI

Governing Body & Management (a)

- **Business Relationship**
 - **One person employed by other in sole proprietorship or organization in/with which other is a trustee, director, officer, key employee or greater than 35% owner**
 - **Two are each director, trustee, officer, greater than 10% owner in same business or investment entity**
 - **One person transacting business with other (> \$10,000)**
- **Exception: Transactions in ordinary course of business**

Core Form – Part VI: Policies (b)

- **Policies**

- **Conflict of Interest (monitor and enforce)**

- **Whistle Blower**

- **Document Retention & Destruction**

***Raises the question – how will your answers look to the public and on sites like GuideStar?**

Core Form Part VI: Policies (b)

- **Compensation-setting process. Disclose if the company has a process for determining compensation that includes:**
 - **Review and approval of a governing body or compensation committee (that excludes interested parties)**
 - **Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations,**
 - **Contemporaneous documentation and recordkeeping for decisions**

- **Process question applies to CEO, Executive Director, top management, or other officers or key employees**

- **If yes, provide description of the process and dates of process in Schedule O**

Core Form – Part VI: Disclosure (c)

- **Describe in Schedule O whether and how you make available to the public:**
 - **Governing documents**
 - **Conflict of interest policy**
 - **Financial statements**

Core Form – Part VII: Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

- **Must list within a chart that includes:**
 - **Name and title**
 - **Average hours per week**
 - **Positions**
 - **Reportable compensation from the organization**
 - **Reportable compensation from related organizations**
 - **“Other” compensation**

The following positions must be included:

- **Current “officers”, directors, trustees and “key employees”**
- **Current top five “HCEs” (other than above) > \$100,000 in compensation**
- **Former officers, key employees and HCEs who received current compensation of > \$100,000**
- **Former directors or trustees who receive current compensation of > \$10,000**

What the IRS Expects

- **NEW 990!**
- **Mission Statement**
- **Code of Ethics**
- **Whistleblower Policy**
- **Due Diligence**
- **Duty of Loyalty**
- **Transparency**
- **Fundraising Policy**
- **Financial Audits**
- **Compensation Practices**
- **Document Retention Policy**

Legislative Issues

State

- Raffles
- Gambling
- Professional Fundraising Counsel

others

Federal

- Healthcare
- IRA Rollover
- Charitable Giving – disincentives
- Mileage reimbursement

Nonprofit Resources

- **FREE e-mail sign-ups:**

SCANPO e-News

www.scanpo.org

IRS newsletters

IRS.gov

Nonprofit Times

NPTimes.com

IT “freebies”

TechSoup.org

NPO info.

GuideStar.org

Resources continued

- **How to start a NPO**
SCANPO.org
Nonprofits 101
- **SC Bar**
Nonprofit Corporate Practice Manual
- **USC School of Law**
Nonprofit Clinic
- Jaclyn Cherry
- **Legislation/Code Law**
SCStateHouse.gov
- **IRS online trainings**
StayExempt.org
- **Lobbying questions**
CLPI.org
AFJ.org
State Ethics Commission



How do I start a nonprofit?

e-News

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SCANPO Resource Center : Links

The following represents our list of links and information resources for those interested in nonprofit advocacy or government. If you would like to suggest a link for this page, please [email us](#).

Advocacy Links

The Advocacy Institute

www.advocacy.org

Alliance for Justice

www.afj.org

Center for Lobbying in the Public Interest

www.clpi.org

The Center for Community Change

www.communitychange.org

Economic Stimulus Money Information

www.recovery.gov

GiveVoice

www.givevoice.org

Independent Sector

www.independentsector.org

The Institute for Global Communication

www.igc.org

National Council of Nonprofit Associations

www.nchna.org

Nonprofit Economic Vitality Center

www.councilofnonprofits.org/economy

OMB Watch

www.ombwatch.org

▲ Top ▲

Federal Government Links

Jump to:

- [Advocacy Links](#)
- [South Carolina Government Links](#)
- [Federal Government Links](#)
- [Fund Raising Links & Resources](#)
- [Technology & Resources](#)
- [Nonprofit News Links](#)
- [NP Management & Leadership](#)
- [Charity Research Links](#)

South Carolina Government Links

Cities and Towns in SC

www.state.sc.us/scsl/cities.html

Official State Web Page

www.sc.gov

Regional Councils of Government

www.state.sc.us/cogs

SC Association of Counties

www.sccounties.org

SC Budget and Control Board

www.bcb.sc.gov

SC Budget & Control Board Office
of Research & Statistics

www.ors.state.sc.us

SC Business One Stop

www.scbos.com

SC Counties

www.state.sc.us/counties/

SC Department of Revenue

SCANPO
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- ▶ About SCANPO
- ▶ SCANPO Membership
- ▶ Education & Training
- ▶ Technical Assistance
- ▶ Advocacy & Policy
- ▶ Annual Conference
- ▶ Awards
- ▼ Resource Center

[FAQ's](#)

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SCANPO Contact information

Mason B. Hardy

President

mason@scanpo.org

803-929-0399

www.scanpo.org

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