



# Guiding Principles & Best Practices *for South Carolina Nonprofits*

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4<sup>TH</sup> EDITION

# About Together SC

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Together SC is South Carolina’s only organization focused solely on supporting and strengthening the state’s nonprofit community through education, advocacy, communications, collaboration and leadership.

We are comprised of 800+ members representing nonprofit organizations, business partners, associations, foundations, government agencies and academic institutions.

We believe the world will be a better place when all people work together for good.

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**WE ARE ALLIES FOR GOOD!**  
*TogetherSC.org*



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**A special thank you to our generous sponsors for their support in creating this publication.**



*GraysonThomas.net*



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# Letter from Your President

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Dear Allies for Good,

Together SC proudly presents the 4<sup>th</sup> edition of our Guiding Principles & Best Practices. First published in 2007, this new edition reflects the tremendous growth and expansion of our sector over the past 10 years.

Building upon 20 years of work by our state's most respected nonprofit leaders, advisors, partners, supporters and volunteers, this edition's new vision for excellence and best practices will help guide future growth and direction for all those organizations who choose to use it, and for Together SC itself.

Join me in thanking Sharon Thomas and our editorial team listed at the end of the publication. They provided a wealth of knowledge and direction. We could not have done this work without our partners and sponsors. 1000 Feathers helped produce the 4<sup>th</sup> edition overview brochure that was provided to all attendees at the 2017 SC Nonprofit Summit, while our friends at TRIO designed this wonderful user-friendly PDF. And our generous friends at Grayson Thomas helped sponsor the many hours of time devoted to this project.

We hope you find this document an effective tool for facilitating healthy dialogue, encouraging continuous learning and promoting informed decision-making.

Every nonprofit seeks to have positive impact, remain relevant, achieve sustainability, and operate with accountability that maintains the public's trust.

This is your tool for doing just that.

Let's get started!

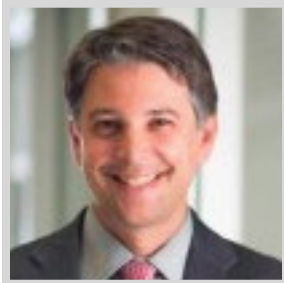
*Madeleine*

**Madeleine McGee**

*Together SC President*

# Grayson Thomas LLC

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Dear Friends,

This 4<sup>th</sup> edition of the Guiding Principles & Best Practices is truly the culmination of years of conferences, webcasts, and opportunities of fellowship among nonprofit professionals in South Carolina. At its core, the Guiding Principles is an interactive treatise, designed for self-assessment and organizational improvement, but in reality, it's something much more. With the Guiding Principles, Together SC challenges you to create and engage your organization to be the best it can be, while offering you tools and peer insights to help you find your way.

As an attorney who devotes most of his practice to the nonprofit sector, I've witnessed firsthand the path to sustainability and maturity of charitable organizations. A common characteristic among the successful is a drive for improvement that manifests itself in constant self-assessment, the retention of institutional knowledge through good policy and governance, the development of internal controls, and the cultivation of numerous healthy working relationships among directors, staff and volunteers. I firmly believe that within the Guiding Principles, there are valuable lessons for every nonprofit organization, no matter the size or maturity, which will help your organization reach its full potential.

I am pleased to invite you to explore this 4<sup>th</sup> edition of the Guiding Principles, and I wish you the best of success in your journey. Thank you Together SC, and congratulations on this milestone publication!

**Clay Grayson**

*Partner*

*Grayson Thomas LLC*

# Table of Contents

Framework .....	5
Using the Guiding Principles & Best Practices .....	6
1 Governance .....	7
2 Strategic Direction & Partnerships .....	12
3 Leadership & Organizational Culture .....	16
4 Communications & Advocacy .....	20
5 Legal Accountability & Transparency .....	23
6 Financial Management & Stewardship .....	26
7 Fundraising .....	29
8 Operations & Planning .....	32
9 Evaluation .....	35
A Special Thank You .....	38

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# Framework

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Together SC’s Guiding Principles & Best Practices is written to meet the general needs of all nonprofit organizations – large and small. We aim to provide nonprofit leaders with a reference to navigate board and staff responsibilities and accountabilities, whether the organization is just starting out or is well-established.

The best practices continue to be organized within guiding principles that address nine specific strategic and operational focus areas considered critical for effective nonprofit leadership and management.

9

## Guiding Principles

Describe the specific standard of organizational conduct and management to which we aspire

32

## Core Elements

Define the essential areas of work that reinforce each guiding principle

114

## Best Practices

Provide recommended method—activities, processes and structures associated with each core element

**What’s new with this edition? Lots. As you read through, you’ll discover that among other things, we’ve:**

- Made governance the first principle because it is the foundation for all we do;
- Expanded the focus of strategic direction to include partnerships because collaboration is of growing importance to our work;
- Moved beyond human resources to address leadership and organizational culture, including addressing volunteer management;
- Elaborated on advocacy best practices and integrated them with communications; and,
- Provided greater emphasis on transparency in addition to legal accountability.

Adherence to these practices is not mandatory. Some practices may not be applicable to all organizations. And many will take years to achieve. However, we believe all well-run nonprofit organizations will work to achieve all nine principles and ultimately have most practices integrated within their organizations.

# Using the Guiding Principles & Best Practices

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The first step in setting direction for any organization is knowing what you're doing well and what needs attention. The Guiding Principles offer a detailed list of issues both volunteer board members and professional staff need to consider. White space is provided after each core element so that you can take notes regarding areas you want to strengthen and steps you want to take to do so.

**This document makes an excellent starting place for:**

- Taking stock of conditions when stepping in as a board member, board officer or committee chair, or when joining as a new executive director or senior staff.
- Identifying strengths and opportunities for targeted improvement within your organization.
- Informing to help develop strategic plans, as well as staff and committee work plans.
- Encouraging conversation and determining responsibilities for board and staff.
- Measuring progress, celebrating accomplishments and deciding whether to submit for our state's award for nonprofit excellence.

Many nonprofits have taken steps toward excellence by obtaining accreditation or certification as affiliates of parent organizations or networks that have their own performance standards. Other organizations may have boards operating under Policy Governance<sup>®</sup>, also known as Carver Governance, and their definition of "best practices" will differ slightly. Together SC's Guiding Principles & Best Practices intends to complement the work of these other bodies.

This document is intended for legally established 501(c)3 organizations. Together SC offers additional resources to help determine when and how to create a nonprofit organization.

We are committed to the success of your organization and making sure you have the resources needed to cultivate a culture of excellence that will help you and your team achieve greater impact.

Visit [TogetherSC.org](https://www.togetherSC.org) to learn more and find out how Together SC can help!



# Governance



**Guiding Principle:** Nonprofits excel at achieving mission when their board provides high-level vision, leadership and oversight, and ensures adequate resources and sound stewardship of assets.

## CORE ELEMENT 1

Our board operates as one body, keeping its **discussions at the strategic level** and holding itself accountable for organizational results and board functionality.

## Best Practices:

1. Foster a culture of inquiry that supports strategic thinking; then when a decision is made, the board speaks with a single voice, including those who did not originally vote for the decision.
2. Craft policies and bylaws in partnership with the chief executive officer (CEO), reviewing and updating regularly, to assure organizational health, strong leadership and effective governance.
3. Conduct vigorous self-assessments annually, examining the board’s collective behavior and reviewing the results to improve effectiveness and govern consistently with stated expectations and values.
4. Ensure board functionality includes rotation of board members, a manageable board size (typically less than 15), and board officers for at least chair, vice chair and secretary/treasurer positions.

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# Strategic Direction & Partnerships



**Guiding Principle:** Nonprofits engage in strategic thinking as a continuous process that steers the organization in a mission-focused direction and provides a framework for working with others.

## CORE ELEMENT 1

Our organization clearly defines its **mission, vision and values** and uses these statements to guide planning and action.

### Best Practices:

1. Review mission, vision and values statements regularly so they remain relevant to changing needs.
2. Ensure our organization’s:
  - a. vision communicates the desired future we seek for the community we serve.
  - b. mission describes the purpose that guides everything we do.
  - c. core values and beliefs reflect how our people – and the organization itself – behaves.
3. Understand that our board’s primary responsibility is oversight of our mission, and that our organization’s services and programs are the mechanism used to achieve that mission.
4. Use our mission, vision and values to guide all board and staff decisions.

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# Leadership & Organizational Culture



**Guiding Principle:** Nonprofits recognize that people are their most important asset and utilize effective leadership and fair practices to attract and retain employees and volunteers.

## CORE ELEMENT 1

Our organization deliberately designs and fosters an environment that **recognizes, affirms and values diversity, equity and inclusion.**

## Best Practices:

1. Think and act strategically when recruiting board members, staff and volunteers to ensure our organization embraces diversity, equity and inclusion of the communities we serve.
2. Encourage information-sharing and interaction between our board and others in our organization so that innovation and creativity comes from all parts of our organization.
3. Develop skills, knowledge and abilities of others at all levels of our organization on a continuous basis.
4. Encourage those in our organization to challenge one another when necessary and permit conflicting views to be expressed on the way to reaching consensus and resolution.
5. Ensure that our executive leadership team models our organization’s values in their day-to-day behavior.
6. Implement policies and practices that do not tolerate discrimination or harassment of any type (i.e., race, sex, age, national origin, gender identity, socio-economic conditions, religion, color, sexual orientation, political affiliation, physical disability or military status).



# Leadership & Organizational Culture

## CORE ELEMENT 2

We place a high priority on **recruiting and retaining top-quality staff** and creating a supportive, productive environment.

### Best Practices:

1. Implement a compensation philosophy that balances equity with market-based and livable compensation and provides adequate benefits, including health insurance and the opportunity to contribute to retirement plans.
2. Establish transition plans, including a succession plan, to manage changes in leadership and other key positions.
3. Encourage the board to demonstrate support of staff.
4. Hire staff with the necessary skills and knowledge and demonstrate a commitment to lifelong learning by budgeting for and providing opportunities for growth and advancement.
5. Communicate what is expected to staff and volunteers and seek their input to create a supportive work environment that fosters mutual respect and trust and attends to the need for professional and personal renewal.
6. Provide ongoing performance-related feedback and written performance evaluations.
7. Provide adequate notice in the event that employees need to be terminated, including information about benefit continuation, unemployment compensation, references and job placement assistance when possible.
8. Conduct exit interviews to learn from an employee's experience with the organization.



# Leadership & Organizational Culture

## CORE ELEMENT 3

We recognize that **volunteers provide a critical connection** between our organization and our communities, serving as valuable advocates and public relations ambassadors.

### Best Practices:

1. Develop a volunteer plan that describes how volunteers advance the mission and allocates material and human resources to recruit, engage, supervise, recognize and retain volunteers.
2. Adopt risk-management procedures that assess, manage and lessen potential risks that may result from the delivery of volunteer-led programs to volunteers and/or the organization's clients, members and participants.
3. Provide initial orientation and ongoing training that at a minimum addresses relevant organizational policies, scope of service, necessary skills, time commitments, and the impact and benefit of the volunteer's service.
4. Ensure volunteers have a direct connection with an identified supervisor with opportunities for ongoing performance-related feedback and clearly articulated and documented accountability and discipline procedures that address grounds for termination when necessary.
5. Ensure financial and in-kind benefits to volunteers are limited to reimbursement for business-related expenses, minor fringe benefits and/or nominal fees for services.
6. Ensure volunteer stipends are not tied to the amount of hours engaged in volunteer activities and are recorded as taxable income where appropriate.



# Leadership & Organizational Culture

## CORE ELEMENT 4

Our organization complies with all local, state and federal **employment laws and regulations**.

### Best Practices:

1. Comply with employment mandates for:
  - a. Payroll taxes
  - b. Workers' compensation
  - c. Unemployment compensation
  - d. Accurate designation of employees and contractors, and
  - e. Wage and hour laws.
2. Establish and abide by a broad and encompassing equal opportunity employment policy.
3. Publish and review annually a handbook of employment policies and management procedures that have been reviewed by an attorney.
4. Conduct necessary background checks on all prospective employees and volunteers who manage finances and/or other sensitive information or work with children, the elderly and/or other vulnerable adults.
5. Adopt a written whistleblower policy, provide training, and make sure board, staff, and volunteers can confidentially report misconduct without negative consequences.

# Communications & Advocacy



**Guiding Principle:** Nonprofits engage their community through communications and advocacy efforts that advance the organization’s mission and vision and protect the organization’s brand by adhering to ethical, trustworthy and professional standards.

## CORE ELEMENT 1

Our organization **communicates why we do our work** and how our mission-related activities produce desired change in our communities, and thus inspire others to help us affect that change.

## Best Practices:

1. Define our organization’s key audiences, understanding their needs and desires as they relate to our mission, vision and values.
2. Build our internal marketing communications capacity in order to protect our organization’s brand, provide the necessary resources to implement our plan, and seek expert advice as needed.
3. Develop an annual marketing communications plan that includes measurable goals and objectives; an effective balance of online and offline tactics, and a realistic timeline and budget to support our strategic direction and demonstrates accountability to our stakeholders.
4. Create a crisis communications plan that will guide our organization and minimize possible damage in the event of an emergency or disaster.
5. Evaluate results of our marketing communications plan and adjust as needed to ensure our organization achieves its communications goals.

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## CORE ELEMENT 3

Our organization **embraces advocacy** to support policies, implement strategies and/or speak on behalf of others.

### Best Practices:

1. Ensure board members, staff and volunteers understand and comply with legal requirements for advocacy, which may include lobbying and nonpartisan voter engagement.
2. Educate staff, clients, members, volunteers and donors about how legislation impacts our organization’s vision and encourage them to advocate in support of our mission.
3. Seek collaborative partnerships with nonprofit organizations that share similar visions, values and missions to support shared goals.
4. Nurture relationships with elected officials who support and positively impact our work.
5. Be the voice for those who do not otherwise have a voice, advocating for social, economic and physical conditions that enrich the lives of all.
6. Develop a demographic profile of your supporter list that includes voting activity and residency in pertinent electoral districts in order to strategically deploy our organization’s resources and encourage greater civic engagement.

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# Legal Accountability & Transparency



**Guiding Principle:** Nonprofits, by nature, exist to serve the public good and are obligated to their constituents and the public to ethically conduct their activities with accountability, transparency and compliance with the law.

## CORE ELEMENT 1

Our organization diligently educates ourselves about and **complies with all applicable laws** and legal obligations.

### Best Practices:

1. Ensure our board and staff know about and adhere to all applicable federal, South Carolina and local laws, regulations and fiduciary responsibilities, including but not limited to:
  - a. the duties of care, loyalty and obedience; and
  - b. laws relating to nonprofit organizations and their governance, tax-exempt organizations, charitable solicitation, human resources and employment, intellectual property, lobbying and advocacy, and other industry and regulatory standards that apply to its particular activity area.
2. Conduct an annual review, along with appropriate board members, of our organization’s compliance with all applicable laws and regulations and provide a summary to the board and staff (see Legal Compliance Checklist).
3. Seek competent legal and accounting advice, when needed.

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# Legal Accountability & Transparency

## CORE ELEMENT 2

Our organization's **board members, staff and volunteers are trustworthy and transparent** in all our actions and behaviors in order to serve the public good.

### Best Practices:

1. Establish a code of ethics that demonstrates commitment to honesty, integrity, transparency, confidentiality and other core values followed by our board, staff and volunteers.
2. Adopt a written conflict of interest policy that meets IRS standards and guidelines and includes:
  - a. disclosure forms that are reviewed and signed annually by all board members, staff and volunteers who make decisions regarding programs or finances, and
  - b. procedures for managing conflict.
3. Adopt and monitor compliance with a policy, consistent with applicable law, that protects the confidentiality and privacy of all stakeholders (e.g., clients, members, grantees, staff, donors, volunteers, etc.) and prevents the release or disclosure of information, except with their specific knowledge, understanding and permission.
4. Adopt risk-management policies, appropriate to the mission of our organization, and monitor compliance to protect constituencies and our integrity.



# Legal Accountability & Transparency

## CORE ELEMENT 3

Our organization openly and honestly **communicates with stakeholders** and the public about our mission, activities, finances and decision-making.

### Best Practices:

1. Provide information annually, either through an annual report or another format, that contains information on our organization’s activities and performance, including:
  - a. explanation of our organization’s mission, activities, results and impact – including a vision for the future;
  - b. how individuals can access our programs and services;
  - c. financial information; and
  - d. list of board members, management and lead program staff where publication will not endanger staff.
2. Comply with IRS rules requiring that the IRS Form 1023 Application for Recognition of Exemption and Form 990 Informational Return are available for review and copying or widely available, for at least the previous three years.
3. Provide multiple ways for constituents to request information and provide input, including access to board decisions and decision-making processes and opportunities to interact with our organization’s leadership about its activities.

# Financial Management & Stewardship



**Guiding Principle:** Nonprofits comply with all legal and financial requirements, adhere to sound accounting principles, and responsibly manage financial resources to produce reliable and timely financial information and build public trust.

## CORE ELEMENT 1

Our organization adopts and employs effective **internal financial controls**.

### Best Practices:

1. Include an independent member(s) with financial expertise on the board finance or audit committees and, when appropriate, seek outside professional advice.
2. Operate in accordance with written, board-approved financial policies that document key control processes and procedures (including but not limited to: compensation, conflict of interest, gift acceptance, whistleblower protection, confidentiality, document security, back-up and destruction, disaster recovery and investment management).
3. Establish appropriate segregations of duties for all major financial functions (including but not limited to receipts, disbursements, payroll, bank reconciliations, journal entries) to reduce the risk of error and fraud. Note that some small entities may need to involve board members in the review and approval processes.
4. Adopt and operate under an annual budget of revenues and expenses that follows strategic and financial guidelines established by the board.
5. Prohibit financial loans or other unusual financial transactions strictly to board members, executive director or other key personnel.



# Financial Management & Stewardship

## CORE ELEMENT 2

We adhere to **sound accounting principles**, demonstrate fiscal responsibility worthy of the public trust, and comply with all finance-related legal and regulatory requirements.

### Best Practices:

1. Hire an independent certified public accountant to conduct an annual audit or financial review as appropriate for our organization's size and complexity and ensure board oversight.
2. Have our board review and approve the IRS Federal Form 990 each year and be familiar with its content and aspire to meet the initial four and a half month reporting deadline.
3. Track our organization's compliance with grants and funds received and abide by the restrictions or heightened scrutiny that accompany federal, state or foundation grants.
4. Consider the need for an internal audit function that reports directly to the board.
5. Ensure board members and key staff clearly understand how to read and interpret financial statements, including the limits on the use of restricted funds in nonprofit organizations and the role and impact of debt.
6. Avoid recurring deficits and aim toward building up sufficient operating reserves.
7. Ensure our annual audited or reviewed financial statements and the annual 990 tax return are included on our website to promote transparency.



# Financial Management & Stewardship

## CORE ELEMENT 3

We regularly **monitor sources and uses of funds**, ensuring they are deployed to further our charitable mission.

### Best Practices:

1. Ensure financial statements:
  - a. are provided to management and our board within 30 days after the end of the month or quarter.
  - b. are reviewed at least quarterly, comparing with budget and prior year performance, to ensure accuracy and understanding of your financial position, forecasted revenue, and the need to make timely adjustments in revenues or expenses.
  - c. include narrative explanations for significant variances from the prior year or budget.
2. Prepare rolling 3- to 5-year financial projections that will enable management and our board to evaluate the future financial impact of decisions.
3. Establish a minimum unrestricted net asset (reserve) policy in terms of percentage of annual expenses.
4. Conduct an annual risk assessment and take appropriate action to minimize risk, including the purchase of appropriate types and levels of insurance to wisely manage potential liabilities.

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# Fundraising



**Guiding Principle:** Nonprofits conduct fundraising according to the highest ethical standards with regard to solicitation, acceptance, recording, reporting and use of funds.

## CORE ELEMENT 1

Our organization has clear written, fundraising policies that adhere to high-ethical standards.

## Best Practices:

1. Adopt a code of ethics\* that actively governs all fundraising activities.
  - \*See Association of Fundraising Professionals (AFP) Code of Ethics
  - a. Pay fundraising staff and consultants in an ethical way that puts our organization and donors first (no commissions or fees based on a percentage of dollars raised).
  - b. Ensure a high percentage of each dollar raised goes directly to funding programs and services.
2. Adopt a clear, written gift acceptance policy that sets out conditions under which our organization will accept and decline contributions.
  - a. Maintain written agreements for major gifts, endowments and other contributions as appropriate to ensure compliance with donor wishes.
  - b. Respect donors’ privacy, ensuring the information you maintain is kept confidential.
  - c. Inform donors of changes to our organization that may affect use of their gifts.
3. Ensure compliance with all state and federal requirements governing fundraising, for example, Charitable Solicitation Registration, CAN-SPAM Act, SC Raffle Permit, The Charleston Principles.



# Fundraising

## CORE ELEMENT 2

We develop and implement a comprehensive, **annual fundraising plan** that aligns with board approved fundraising policies and complies with all laws concerning fundraising practices.

### Best Practices:

1. Appoint a fundraising committee that is chaired by a board member and includes other board members, staff and volunteer fundraising leaders.
2. Incorporate strategies and achievable timelines for obtaining diverse revenue sources, including grants, donations, investments and earned income (when appropriate).
3. Include clear, accurate and honest information in our fundraising materials about our organization, our activities and how we intend to use the money raised.
4. Monitor our fundraising plan to ensure it supports objectives funded in our organization’s annual budget and mapped out in our strategic plan.



# Operations & Planning



**Guiding Principle:** Nonprofits develop, implement and monitor written operations and contingency planning documents.

## CORE ELEMENT 1

Our organization has an **operational plan** that is developed annually by our staff, based on the board-approved strategic plan, and used as a management tool for tracking and evaluating our activities and outcomes.

## Best Practices:

1. Define specific program, financial, personnel and evaluation activities in a clear manner.
2. Establish timelines and assign specific responsibility for implementation.
3. Ensure resources needed to support and evaluate operations are identified and allocated.

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# Evaluation

## CORE ELEMENT 2

We dedicate the time and resources necessary to **measure the impact of our actions** and assess how those actions align with our mission.

### Best Practices:

1. Build the capacity of our staff or engage external consultants to conduct evaluation activities.
2. Move beyond solely capturing participant satisfaction to include information on process, impact and outcomes.
3. Make evaluation a core component of the organization and ensure data is used to make data-driven decisions and for continuous quality improvement – whether it is required by a particular funding stream or not.
4. Use appropriate quantitative and qualitative data collection methods gathered before, during and after program development and implementation.
5. Ensure evaluation methods are culturally sensitive and appropriate for the community we serve.
6. Keep data collection involving personal information confidential, unless consent is given for release.

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# A Special Thank You

**Together SC** would like to thank the following individuals for their dedication and commitment to the Guiding Principles & Best Practices initiatives. It is because of their leadership, we are able to help all South Carolina nonprofits strive for excellence.

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