

NEW & REFORMING ORGANIZATION REVIEW POLICY



UPDATED: JUNE 2015

New organizations that have recently incorporated in the last three years or have not filed an IRS Form 990 for the past three years can still go through the Accountability Wizard® and earn the “Meets Standards®” seal. Charities Review Council applauds new organizations beginning their nonprofit existence as accountable and transparent organizations.

Through the Accountability Wizard® review process, we collect data and documents from your organization. As a new organization, you may not have 3-years of financial data and other key policies in place. As such, there are some Accountability Standards® that will not be applied depending upon your organization’s age. With other Accountability Standards®, there is variation with how Council staff applies the Standard depending upon the organization’s age.

Year 1- Is applicable to organizations that have incorporated in the current fiscal year, or have just completed 1 full fiscal year.

Year 2- Is applicable to organizations once they have completed 2 full fiscal years.

Year 3- Is applicable to organizations once they have completed 3 full fiscal years.

	YEAR 1	YEAR 2	YEAR 3
ANNUAL REPORTING & COMMUNICATION	<p>PARTIALLY MEET THIS STANDARD</p> <p>The organization is reporting on the following:</p> <ul style="list-style-type: none"> • Mission Statement, • Definition of geography and populations served, • Description of each major program (IRS Form III, Q.4), • Description of outstanding outcomes and/or significant unexpected events/incidents, • List of the Board of Directors, • List of Key Staff (or Key volunteers if no paid staff), • Financial information including: • Balance sheet (liabilities and assets) 	<p>FULLY MEET THIS STANDARD</p> <p>All of Year 1 requirements along with the following additional requirements:</p> <ul style="list-style-type: none"> • Related accomplishments for each major program • Income Statement (income and expenses) • Functional expense allocation (program, fundraising, admin) • Total cost of each major program 	<p>FULL MEET THIS STANDARD</p>
BALANCED RESERVES	N/A	<p>Fully Meet this Standard-</p> <p>Unrestricted net assets (for current use) are not more than 3x the current or next year’s budgeted operating expenses.</p>	<p>Fully Meet this Standard</p>

BOARD LENGTH OF SERVICE	N/A	N/A	Fully Meet this Standard- <i>Elected voting board members do not serve more than 5 years without standing for re-election. Bylaws limit number of consecutive terms that can be held by a board member.</i>
CONFLICT OF INTEREST POLICY	N/A	Fully Meet this Standard- <i>There is a policy that prohibits an interested party from approving or voting on a conflicted transaction and requires annual disclosure of potential conflicts. Additionally, the nonprofit does not provide loans to or relieve debts of any of its directors.</i>	Fully Meet this Standard
DIVERSITY, EQUITY & INCLUSION	<i>Organization identifies what information it will be tracking.</i>	<i>Information is tracked and goals/measurements are established</i>	Fully Meet this Standard- <i>Board & key staff collect and reviews information about its participants, volunteers, vendors, staff, partners, board, practices, and programs, comparing its internal composition and practices to its external composition (e.g. population served, and stakeholders); and identifies related goals, opportunities, gaps, and progress.</i>
FEDERAL TAX FILING REVIEW	<i>Applicable only if you have 1 fiscal year completed</i>	Fully Meet this Standard- <i>The board conducts a timely review of the complete IRS Form 990 and all attachments.</i>	Fully Meet this Standard
FINANCIAL HEALTH MANAGEMENT	N/A	Partially Meet this Standard- <i>For the current fiscal year, unrestricted net assets (end of year) is a positive number, and the percent change in unrestricted net assets (beginning of year to end of year) is more than -5%.</i>	Fully Meet this Standard
FINANCIAL TRANSPARENCY	N/A	Fully Meet this Standard- <i>If revenue exceeds \$750,000, the organization is independently audited and receives an unqualified opinion.</i>	Fully Meet this Standard

GOVERNING DOCUMENT REVIEW	N/A	<p>Partially Meet this Standard</p> <p><i>Confirm a date when the board will review the organization's bylaws and other governing documents.</i></p>	<p>Fully Meet this Standard-</p> <p><i>The board reviews the bylaws and other governing documents at least every three years.</i></p>
IMPACT ON THE COMMUNITY	N/A	<p>Fully Meet this Standard-</p> <p><i>The nonprofit describes on an annual basis its accomplishments in the previous year in relation to its mission and its community impact. The nonprofit also states its goals for the current year.</i></p>	<p>Fully Meet this Standard</p>
LEGAL COMPLIANCE	<p><i>The nonprofit is aware of laws governing nonprofits.</i></p>	<p>Fully Meet this Standard-</p> <p><i>To the best of its knowledge, the nonprofit does not violate any federal or state laws or regulations.</i></p>	<p>Fully Meet this Standard</p>
SOLICITING PRACTICES	N/A	<p>Fully Meet this Standard</p> <p><i>Solicitors who are not staff or volunteers of the nonprofit identify themselves as professional fundraisers and upon request, provide the name and address of their employer or contracting party. If the nonprofit is engaged in cause-related marketing or its name is used in connection with an event or the sale or marketing of goods or services, upon request, the nonprofit provides accurate information about the percentage of gross revenue that the nonprofit receives.</i></p>	<p>Fully Meet this Standard</p>
TRAVEL AND ENTERTAINMENT REIMBURSEMENT POLICY	N/A	<p>Fully Meet this Standard</p> <p><i>There is a board and staff policy that describes acceptable travel and entertainment expenses, sets reasonable limits, and sets procedures for reimbursement.</i></p>	<p>Fully Meet this Standard</p>

USE OF FUNDS	N/A	<p>Partially Meet this Standard</p> <p><i>For this year at least 65% of the nonprofit's annual expenses are used to directly support programming (ideal range is 70% to 90%).</i></p>	<p>Fully Meet this Standard</p> <p><i>At least 65% of the nonprofit's three-year average annual expenses are used to directly support programming (ideal range is 70% to 90%). On an annual basis the board monitors this ratio and, if necessary, develops a plan to address any shortage of investment in programs, infrastructure or administrative capacity.</i></p>
	WHISTLEBLOWER POLICY	N/A	<p>Fully Meet this Standard</p> <p><i>The nonprofit maintains a policy and communicates procedures for the reporting and investigation of complaints about perceived or possible illegalities, questionable practices or policy violations. The policy provides for the confidentiality of the individual who reports the complaint and protects him/her from retaliation by the organization.</i></p>

The following Accountability Standards® are applied no matter the age of the new or reforming organization:

- **Board Fiduciary Oversight**
- **Board Meetings**
- **Board Orientation & Assessment**
- **Chief Executive Assessment & Compensation**
- **Donor Financial Information & Security**
- **Donor Privacy**
- **Federal Tax Filing Review**
- **Fundraising Disclosures**
- **Monitoring Mission & Strategy**
- **Separation of Roles**
- **Voluntary Board Service** (If the organization has NOT filed their first 990, the Council will verify that board members are serving without compensation by communicating directly with the organization).