

THE GLOBAL CENTER FOR NONPROFIT EXCELLENCE

Special Report

**18 ESSENTIAL BEST PRACTICES YOUR
NONPROFIT MUST DO TO VALIDATE
AND IMPROVE YOUR OPERATIONAL
COMPETENCE**

By OpX360® Co-Inventors
Bob Lipps and Marc Stein

EXCERPTED FROM ACTUAL OPX360® SMART TOOLS

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The Global Center for Nonprofit Excellence (our friends call us "The Center") is an orchestrated network bringing together Nonprofits, Funders, and Professional Experts where accepted best practices and proven industry standards can be measured and improved.

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INTRODUCTION • OPX360®

By combining nonprofit best practices and the simple use of artificial intelligence, you can now measure 60 operational practices in all six areas of nonprofit operations and know the three most important things that you can do to improve your operational competency fast in each of those areas.

Any of the OpX360® assessments can be taken individually or together, depending on the needs of your organization.

HOW IT'S BUILT

Statements are grouped into sets of related Best Practice statements called **Key Elements** and each individual statement is categorized into one of three **Competency Levels**. Those levels of competency are:

Level 1: Core operational practices necessary to perform effectively.

Level 2: Sophisticated practices that enhance overall performance.

Level 3: Leading edge practices that enable an organization to deliver the highest level of operational performance.

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DO YOU, YOUR BOARD OR FUNDERS STRUGGLE WITH KNOWING HOW WELL YOU'RE PERFORMING?

You are not alone. When it comes to getting an objective view of your organization's operations, most nonprofit executives and board members are too close to judge. One of the hardest parts is determining where the gaps are and what to do about them.

VALIDATE AND IMPROVE

Nonprofits need more funding. Funders need more confidence. More confidence comes from demonstrated operational competence. Funders with more confidence give more. Operational competence can be measured and improved quickly.

Assessing competence against Best Practice or pre-determined industry standards takes all the guesswork out. The following will consist of three Best Practice statements of 60 from each of the six areas of nonprofit operations. There are 360 statements in all, hence, 360. The "OpX" is short for Operational Excellence. Meet OpX360®!

ESSENTIAL BEST PRACTICE #1

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FINANCE & ACCOUNTING

Our organization has procedures to handle pledges or income from the sale of products or services, which include billing, follow-up and collection of amounts due, along with written documentation that substantiates both the product or services provided, pledges made, and amounts to be collected.

Why It's Important

It's important to have procedures in place for the timely billing of customers or donors to collect amounts owed as soon as possible.

Consequences for Non-Performance

Without clear procedures that require timely billing and collection of service fees, an organization can easily fail to bill for services provided, have excessive accounts receivables, or uncollectable accounts resulting in lost revenue or a shortage of operating cash.

Our Recommendation If You Are Not Compliant Now

Develop reasonable procedures for accounting for and managing Sales and Accounts Receivables. Formally assign this task to an accountant or bookkeeper who regularly does this as a core part of their job on at least a monthly basis.

Key Element: Business Process & Reporting Systems

Competence Level: Level 1



ESSENTIAL BEST PRACTICE #2

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FINANCE & ACCOUNTING

Our capital needs (for equipment, property, etc.) are reviewed at least once a year where priorities are established and funds are pre-identified for capital acquisitions.

Why It's Important

Capital purchases often require a significant outlay of cash, which may find some organizations in debt. These types of purchases should be planned well before they are made so the operating plan for the larger organization is not adversely affected.

Consequences for Non-Performance

Without an annual plan for capital purchases, necessary equipment or property might not be acquired or other program needs may suffer if their funding needs to be redirected to the capital purchases.

Our Recommendation If You Are Not Compliant Now

As part of the annual budget process, create a worksheet identifying which capital assets need to be purchased during the year and identify the timing and source of funding for each.

Key Element: Business Process & Reporting Systems
Competence Level: Level 2

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ESSENTIAL BEST PRACTICE #3

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FINANCE & ACCOUNTING

Our CFO works closely with the leader of Fundraising, Marketing & Communication to ensure synergy between overall budgeted revenue and the timing and amounts of funds being raised, and periodically reviews the wording of donor appeals to determine whether money spent on certain marketing pieces could be classified as Program costs.

Why It's Important

It's critical for the CFO to understand and have input into many aspects for Fundraising, Marketing & Communications to ensure these areas are appropriately reflecting the financial status of the organization. It's also important for the CFO to understand the content and nature of external communications in order to accurately allocate their costs between Program, Fundraising, and Administration.

Consequences for Non-Performance

Without a clear and current understanding of Fundraising, Marketing and Communications content and materials, stakeholders could be misled about the financial status of the organizations, resulting in loss of donors or legal claims. Further, inaccurate allocations of costs to Fundraising, Marketing and Communications could also mislead the public and regulators, thereby creating liability to the organization.

Our Recommendation If You Are Not Compliant Now

Conduct periodic meetings with the leaders of Fundraising, Marketing & Communications to ensure everyone has a clear and current understanding of, and agreement with, information being communicated to all stakeholders, including the Board, donors, the public, and regulators.

Key Element: Business Process & Reporting Systems

Competence Level: Level 3





ESSENTIAL BEST PRACTICE #4

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FUNDRAISING, MARKETING & COMMUNICATIONS

Our entire organization values relationships with supporters and donors and honors them by carefully stewarding our resources - donors are seen as partners.

Why It's Important

Donors are critical to the health and growth of the organization. Developing and maintaining relationships are not simply the responsibility of the fundraising department.

Consequences for Non-Performance

The quickest way to lose a donor or supporter is to treat them like an ATM and not honor their ongoing relationship with the organization.

Our Recommendation If You Are Not Compliant Now

Make it standard practice to make sure that the team understands the sacrifice donors make and they can connect the dots between what they are doing (and donor dollars they are spending) and the impact it has on donor relationships.

Key Element: Donor Growth and Engagement Strategies

Competence Level: Level 1



ESSENTIAL BEST PRACTICE #5

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FUNDRAISING, MARKETING & COMMUNICATIONS

Our fundraising department effectively shares its annual social impact report with donors and key constituencies.

Why It's Important

Nonprofits exist to achieve some missional purpose. That purpose has an impact of some sort. Organizations need to show that efforts are achieving the purpose for which they exist. This creates strong engagement, trusted long-term relationships, and ultimately drives revenue growth.

Consequences for Non-Performance

Without an outcome or proof that they are achieving our mission/purpose, there is little reason for people to engage (or continue engaging) with an organization.

Our Recommendation If You Are Not Compliant Now

Define what impact looks like and how to measure it. You should then define the tools that are needed to capture metrics and develop a consistent way of reporting on those to key audiences. This will require cross-departmental coordination and integration, including getting input from the board.

Key Element: Measurable Objectives and Outcomes

Competence Level: Level 2



ESSENTIAL BEST PRACTICE #6

SAMPLE STATEMENT FROM OPX360® SMART TOOLS FUNDRAISING, MARKETING & COMMUNICATIONS

Our Marketing team has a documented PR and crisis communication plan in place and ready to deploy.

Why It's Important

In today's instant culture, bad things can go viral quickly. A PR and crisis management plan ensures when something bad does happen, the organization is prepared and ready to deal with it in the most professional and expedient way, which will limit negative consequences.

Consequences for Non-Performance

Without a plan, organizations are subject to "winging it" when something bad happens. This often results in exacerbating the bad situation and creates a poor brand impression on the organization. At it's worst, it could create a situation that the organization can't recover from.

Our Recommendation If You Are Not Compliant Now

Build an integrated/cross-functional team of HR, Executive, Marketing and other functions to map out a crisis management plan. The plan should include how to deal with the situation internally and externally and should designate a few spokespeople who can speak on behalf of the organization. Clearly define the process, roles and responsibilities, and include different levels of response based on severity of the crisis.

Key Element: Integrated Strategic Marketing and Branding
Competence Level: Level 3

ESSENTIAL BEST PRACTICE #7

SAMPLE STATEMENT FROM OPX360® SMART TOOLS GOVERNANCE, LEGAL & RISK MANAGEMENT

Our full Board meets at least two times a year in person or by teleconference. Our Board and CEO agree on scheduled reports that inform the Board to fulfill its fiduciary responsibilities and improve its policies.

Why It's Important

The Board is ultimately responsible for the welfare of an organization and complying with all regulations, and they must be aware of all aspects of the organization from a policy level. The Board must monitor the finances, programs, and administration of the organization to ensure that it is running within its tax exempt purposes and being good stewards of the public trust and resources placed with it.

Consequences for Non-Performance

If the Board doesn't spend adequate time to review and discuss strategy and desired outcomes, the CEO could take the organization in directions outside of the charter of the organization or not be accountable for strategically running the organization. Without reviewing progress and outcomes of programs, there is no assurance that the organization is achieving its goals or whether resources are appropriately being used.

Our Recommendation If You Are Not Compliant Now

Schedule at least two Board meetings each year. In-person meetings are preferable, but teleconference meetings can work under certain circumstances. The meetings should be scheduled far in advance to ensure all Board members can be present. A detailed Agenda should be prepared in advance including financial and program reviews and time to discuss high level issues facing the organization.

Key Element: Appropriate Organizational & Governance Structure
Competence Level: Level 1



ESSENTIAL BEST PRACTICE #8

SAMPLE STATEMENT FROM OPX360® SMART TOOLS GOVERNANCE, LEGAL & RISK MANAGEMENT

We maintain a Board policy manual which is regularly updated and it contains Board best practices, ongoing policies the Board needs to address beyond its current bylaws, and directors' written job description or statement of expectations.

Why It's Important

An important tool to help the Board function properly is a Board Policy Manual, outlining the Board's role, responsibilities, how it will function, things it will accomplish, and things it will delegate to the CEO and their executive team.

Consequences for Non-Performance

Without a Board Policy Manual, the Board can easily find itself involved in and wasting valuable time on matters outside the intended scope of responsibility and doing tasks better done by management.

Our Recommendation If You Are Not Compliant Now

Develop a Board Policy Manual which outlines the Board's role, responsibilities, how it will function, things it will do, and things it will delegate to the CEO and their executive team. Be disciplined to function according to the manual at all times.

Key Element: Policies & Procedures

Competence Level: Level 2



ESSENTIAL BEST PRACTICE #9

SAMPLE STATEMENT FROM OPX360® SMART TOOLS GOVERNANCE, LEGAL & RISK MANAGEMENT

Our organization maintains a regular schedule of internal compliance reviews with all Board-adopted policies and the Board is made aware of the results.

Why It's Important

If the Board creates policies for the organization and itself to follow, it's imperative the policies are complied with. Without a regular audit or review of compliance with policies, there's no objective way to ensure policies are being enforced.

Consequences for Non-Performance

Without a regular audit or review of compliance with Board-adopted policies, important business or legal matters may not be taken care of which can often result in harm to the organization, its people, and programs.

Our Recommendation If You Are Not Compliant Now

Create a library of Board-approved policies and schedule a regular compliance review and report the results to the Board.

Key Element: Policies & Procedures

Competence Level: Level 3



ESSENTIAL BEST PRACTICE #10

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PROGRAM MANAGEMENT & ACCOUNTABILITY

Our programs, products and services have a written definition, purpose, and expected outcomes.

Why It's Important

Organizations must be able to clearly explain what they are doing, why they are doing it, and what people can expect from it. Constituents and donors expect to have clarity around these things before they engage and donate.

Consequences for Non-Performance

A program, product, or service without a clear definition of what it is, why it's important, and what it achieves will not succeed. People will not understand it, won't engage with it, and certainly won't support with donations.

Our Recommendation If You Are Not Compliant Now

For every program, product, or service, create a formal document that defines what it is, what it does, why it's important, and how it benefits those that it is designed for. Use this as justification for budget to build and maintain it, but also as communication and marketing for those you seek to engage who want to use it.

Key Element: Measures and Metrics

Competence Level: Level 1

ESSENTIAL BEST PRACTICE #11

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PROGRAM MANAGEMENT & ACCOUNTABILITY

Our management team reviews and assesses actual performance relative to objectives and work plans and performance is formally reviewed by our board periodically.

Why It's Important

Defining actual vs. desired outcomes is critical to understanding where an organization stands from a cost, income, and impact perspective. Holding the organization accountable to this discipline enables them to confidently tell their board, donors, and constituents if they are accomplishing objectives.

Consequences for Non-Performance

If organizations do not track actual to expected outcomes, they will never know how they are actually performing. Without that knowledge, the organization will likely not achieve what they wanted to, misuse donor dollars, and could be out of compliance with board mandates.

Our Recommendation If You Are Not Compliant Now

As part of the planning process, set realistic goals that can be measured. Establish monthly and quarterly reviews of progress and develop a simple but clear communication plan to relevant constituencies.

Key Element: Accountability and Transparency

Competence Level: Level 2

ESSENTIAL BEST PRACTICE #12

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PROGRAM MANAGEMENT & ACCOUNTABILITY

Our strategic leader works tactically with the top leaders responsible for all other areas of operations throughout the year so that appropriate mid-year updates and possible adjustments can be made to the strategic plan.

Why It's Important

A plan is only as good as it is relevant and fresh. If circumstances, people, or budget change, organizations need to rework the plan to make sure they can still achieve objectives. This includes gathering the relevant stakeholders and key leaders who are engaged and involved in measuring, reviewing, and updating the strategic plan.

Consequences for Non-Performance

If circumstances, people, or budget change and organizations do not review and adjust the plan, they will fail to achieve objectives for revenue and impact. This can't be done in a vacuum but must be done in collaboration with key leaders.

Our Recommendation If You Are Not Compliant Now

Establish monthly reviews with key stakeholders to review results and evaluate if assumptions have proven to be true. Review market, donor, and staff dynamics and changes and make sure you adjust the plan to the realities of the situation.

Key Element: Measures and Metrics

Competence Level: Level 3

ESSENTIAL BEST PRACTICE #13

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PEOPLE & ORGANIZATIONAL DEVELOPMENT

Our employee handbook contains a disclaimer that employment is at-will, which means that the employee can be terminated at any time, with or without cause.

Why It's Important

Employment at will applies to all states except Montana. It helps to provide legal protection and prevent lawsuits regarding termination of employees for any reason that organizations may choose to terminate.

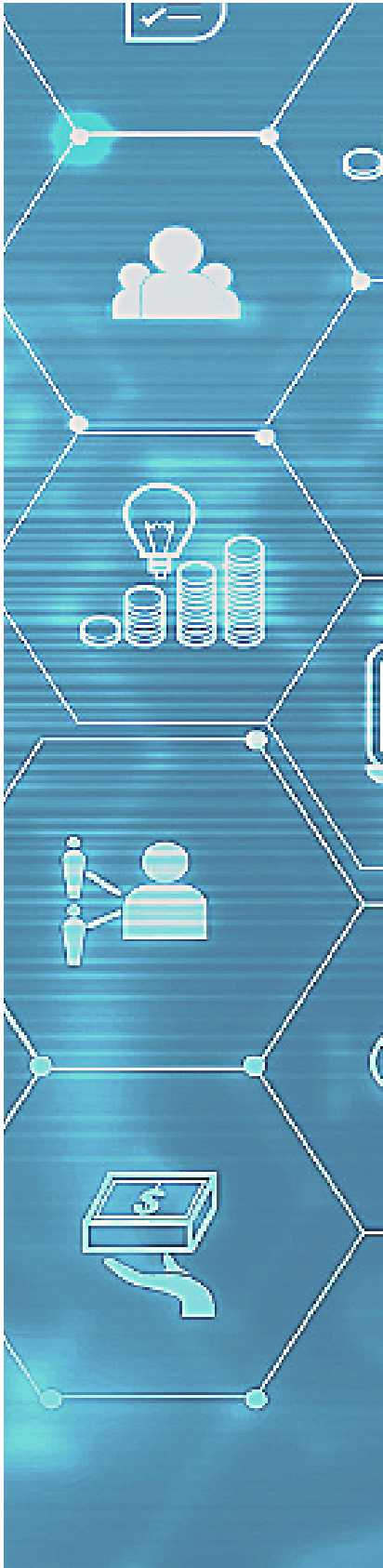
Consequences for Non-Performance

Even though a wrongful termination suit may be filed at any time, having this doctrine clearly noted in the handbook will help protect organizations from frivolous lawsuits. Without this being clearly noted, organizations have not identified to its employees that they follow employment at will guidelines, leaving the company open to risk.

Our Recommendation If You Are Not Compliant Now

Ensure that employment at will is clearly defined in your handbook using the same language that can be found on your state's Department of Labor website.

Key Element: Comprehensive Policies, Procedures & Handbook
Competence Level: Level 1



ESSENTIAL BEST PRACTICE 14

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PEOPLE & ORGANIZATIONAL DEVELOPMENT

We conduct exit interviews for all employees who leave voluntarily and collect all security items and company property on an employees' last day.

Why It's Important

Exit interviews are an opportunity to gain insight into current culture, employee concerns, and other items that can help organizations have a pulse on the employee population.

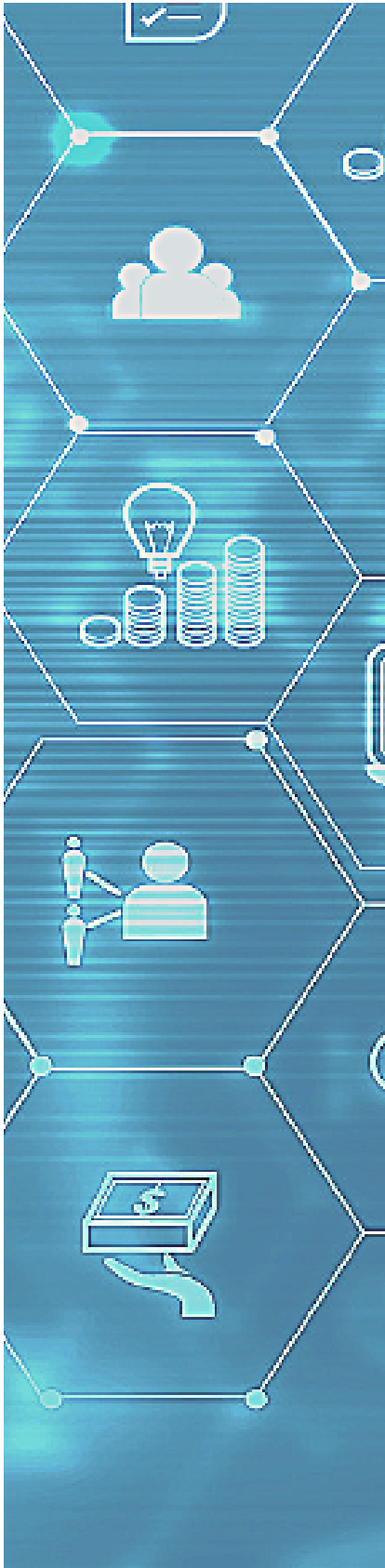
Consequences for Non-Performance

Collecting company equipment is a necessary step when an employee leaves, and organizations will face a lot of challenges attempting to collect it at a later time. Collecting their thoughts at the same time is a chance employers won't have again.

Our Recommendation If You Are Not Compliant Now

Set up a standard process for exit interviews, asking questions around job satisfaction, culture, fairness of compensation, why they are leaving, etc. It is important that an impartial person conduct the interview so that the exiting employee feels free to share. Take written notes and document their thoughts as they speak. Do something positive with what you've learned!

Key Element: Comprehensive Policies, Procedures & Handbook
Competence Level: Level 2



ESSENTIAL BEST PRACTICE 15

SAMPLE STATEMENT FROM OPX360® SMART TOOLS PEOPLE & ORGANIZATIONAL DEVELOPMENT

Our staff and volunteers all have job descriptions which clearly define qualifications, essential functions and responsibilities, reporting relationships, and key indicators. They also include any physical requirements and environmental factors that are specifically related to the position.

Why It's Important

A job description gives employees and volunteers a clear outline of the expectations for their success in their specific role. More importantly, it is an important tool used to ensure understanding and compliance with labor laws, which adds a layer of protection to an organization.

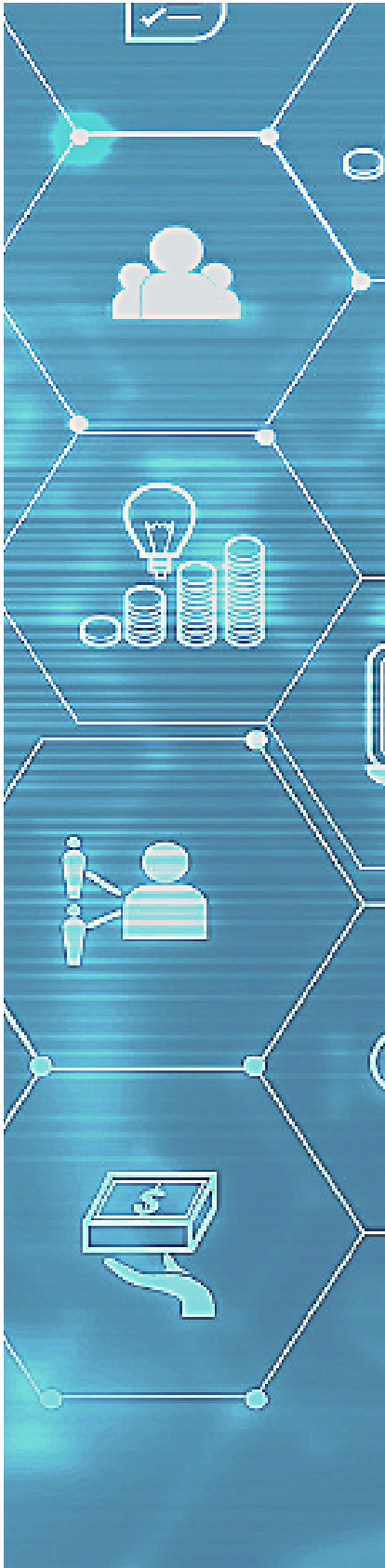
Consequences for Non-Performance

Without a job description, employees and volunteers do not have a roadmap for what is expected for them to fulfill their role. Without this tool, employers are not providing an efficient, clear, and effective vision for them to follow. Written correctly, job descriptions will also protect from unwarranted discrimination suits having to do with ADA and labor law.

Our Recommendation If You Are Not Compliant Now

Develop a standard template that you use for all job descriptions on a consistent basis for all positions at all levels. Ensure that you include all required areas. Each completed description should be signed by the employee in that position and stored in their personnel file.

Key Element: Comprehensive Policies, Procedures & Handbook
Competence Level: Level 3



ESSENTIAL BEST PRACTICE 16

SAMPLE STATEMENT FROM OPX360® SMART TOOLS
BUSINESS SYSTEMS, INFORMATION TECHNOLOGY & FACILITIES

Our IT personnel ensures that we have regular, frequent and redundant automatic backups of all important data.

Why It's Important

An organization must have frequent and regular backups of all important data, as the loss of any critical data can damage its ability to serve its constituency and continue operations.

Consequences for Non-Performance

Losing data, or finding that any vital organizational information has been corrupted, is a horrible experience, and could lead to loss of trust, or depending on how much is lost, could even result in an end of all operations.

Our Recommendation If You Are Not Compliant Now

Make absolutely certain that all IT personnel have a data backup routine shared with the leadership of the organization. It may also be useful to have random samples of that stored, backed up, mirrored data taken at surprise times to ensure the system is fully operational at all times.

Key Element: Information Technology (IT)

Competence Level: Level 1

ESSENTIAL BEST PRACTICE 17

SAMPLE STATEMENT FROM OPX360® SMART TOOLS
BUSINESS SYSTEMS, INFORMATION TECHNOLOGY & FACILITIES

We have robust, scalable, industry-standard security technology solutions in place to prevent any unauthorized persons from gaining access to our private data (financial, constituent, donor, etc.).

Why It's Important

An organization's needs change over time due to a variety of factors such as growth, change of offering, or new product or service lines, and technology solutions have to adapt as well.

Consequences for Non-Performance

Choosing a technology platform that has limited scalability and security standards that become outdated quickly is very costly to an organization.

Our Recommendation If You Are Not Compliant Now

Ensure the IT leader and technology support team test the existing technology solutions in place to see if gaps exist in meeting new needs.

Key Element: Cyber Security Management
Competence Level: Level 2

ESSENTIAL BEST PRACTICE 18

SAMPLE STATEMENT FROM OPX360® MART TOOLS BUSINESS SYSTEMS, INFORMATION TECHNOLOGY & FACILITIES

Our IT leader works with other leaders in fundraising, marketing, finance and accounting, HR, Operations, and other key areas to ensure IT needs are understood and there is a plan to address their needs and concerns.

Why It's Important

The leaders of an organization, especially the IT leader, must understand and communicate to other key leaders how important clear and timely communication is when it comes to meeting technology needs of an organization.

Consequences for Non-Performance

Organizations that keep their IT areas or subject matter expertise personnel separate from other departments, regularly planned needs, and future strategy meetings will fall behind.

Our Recommendation If You Are Not Compliant Now

Make sure your IT leader is included in all cross-functional planning meetings, especially those that involve current needs and concerns not being met.

Key Element: Mission-Driven Business Systems, IT Integration with Strategic Plan

Competence Level: Level 3

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THE SMART ONLINE TOOLS TO HELP YOU
MEASURE AND IMPROVE YOUR NONPROFIT'S
OPERATIONAL EFFECTIVENESS FAST

“*The beauty of OpX360® is that it requires no training and, in minutes, you have a clear understanding of what practices need improvement and a plan on how to do that.*”

The good news is that you can now quickly identify your operational competency gaps and what needs to be done next. By combining nonprofit best practices and the simple use of artificial intelligence, you can now measure 60 operational practices in any of the six operational areas and know the three most important things that you can do to improve your operational competency in minutes.

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