



COMPLIANCE CHECKLIST FOR NONPROFIT ORGANIZATIONS

This checklist is simply a guide; it does not contain legal advice. This is a guide for helping nonprofits understand common legal obligations and to highlight areas where greater inquiry should be made. The checklist is not intended to be all-encompassing, but rather to address common concerns of 501(c)(3) public charities. Specific laws or rules may apply to a particular organization or its programs that are not address in this checklist.

State Corporate Requirements

1. Do you have a current copy of your organization's:
 - a) ___ Articles of Incorporation
 - b) ___ Bylaws
 - c) ___ Conflict of Interest Policy
 - d) ___ IRS Determination Letter (501(c)(3) Letter)
 - e) ___ Charitable Solicitation Registration License
 - f) ___ Sales Tax Exemption
 - g) ___ Income Statement and Balance Sheet (previous FY)
2. Do your articles and bylaws accurately describe your current purposes, organization, and procedures?
3. Is your registered agent still at the address filed with the Secretary of State?
4. Can you rely on your registered agent to give you mail that comes to the corporation?
5. Are you filing Annual Reports with the state Department of Charitable Organizations?

IRS Requirements

1. Has your structure, purposes or activities changed significantly since you received your tax exempt recognition letter from the IRS?
2. Did the organization file its required Form 990 for the last fiscal year
3. Is the organization in compliance with IRS guidelines related to executive compensation?
4. Is the organization in compliance with IRS prohibitions on political activity?
5. Are the organization's income-producing activities directly related to the organization's mission?



Corporate Formalities

1. Does the organization keep minutes of all meetings of the board and committees, including resolutions and other formal actions? Are they available to your members, if any, for inspection?
2. Does the organization have a current list of names, addresses, and terms of office of your board members?
3. Do minutes reflect actions to elect or reelect current board members, and the resignation or termination of former board members?
4. Does the organization save lists of members, annual reports and all correspondence with members for at least three years?
5. Does the organization prepare an annual financial statement or audit?
6. Does the organization save financial records for at least seven years?
7. Does the organization have a document retention (destruction) policy?
8. Has the organization revoked the check-signing authority of former staff or board members?
9. Does the board of directors conduct a periodic evaluation of the performance of the organization's executive director?
10. Does the organization have job descriptions for the Board of Directors?

Fundraising Legal Requirements

1. Does the organization acknowledge, in writing, gifts over \$250?
2. If the organization receives gifts of vehicles, (cars, boats, etc.) are you in compliance with current IRS regulations governing such gifts?
3. Is the organization registered to solicit charitable donations in each state that you are fundraising in?
4. Does the organization track and document all commercial covertures?

Insurance/Indemnification

1. Does your organization have appropriate insurance coverage for:
 - a) General liability insurance
 - b) Directors and officers insurance



Intellectual Property

1. Does your organization own any patents, trademarks, service marks or copyrights?
2. If so, do they require renewals?
3. Is your organization using anyone else's patents, trademarks, service marks or copyrights?
4. If so, do you have permission?

Financial Practices

1. Does the organization's Board of Directors approve an annual budget?
2. Does the organization require that bank statements be mailed to or opened and reviewed by a person who does not write or sign the checks?
3. Does the organization have a policy that blank checks are maintained under lock out of public view?
4. Does the organization require that a person who writes or signs checks is not the same person who reconciles the bank statements?
5. Does the organization require that the person who is responsible for preparing checks for payment of a vendor's invoice is not the same person who signs the check?
6. Does the organization require that one person should open mail and make a list of cash and checks received before receipts go to a second person who keeps the books?
7. Does the organization have an audit committee? If so, does a member of the board of directors work independently with the auditor?
8. Does the organization have a written retention policy for its accounting records?

Human Resources

If you have employees:

1. Is the financial officer making timely deposits of federal payroll taxes?
2. Does the organization report new hires?
3. Is the organization making timely unemployment insurance payments (if applicable)?
4. Is the organization in compliance with Workers' Compensation law requirements?
5. Does the organization classify each of your employees as exempt and nonexempt?



6. If so, has the organization specified the specific provision of the LSA that you rely on in making the classification?
7. If you have workers whom you classify as independent contractors, are you complying with deferral standards that govern how to distinguish between contractors and employees?
8. Do you have the following:
 - a. Personnel files for each employee
 - b. An Employee Handbook
 - c. An employment contract or written terms of employment
 - d. Progressive disciplinary procedures
 - e. Evaluation and appraisal procedures
 - f. A Sexual Harassment/Anti-Discrimination Policy
 - g. Whistle-blower policy
 - h. Standard of Unacceptable Behavior
 - i. A Family and Medical Leave Act policy
 - j. Drug Testing Policy
 - k. Notices required to be posted
 - l. Other policies or benefits for employees

QUESTIONS?

[Schedule a Free Compliance Checkup](#)

**Jeffrey Fromknecht, MSW
Attorney & Counselor at Law
800-330-5807**

Jeff@lawyers4nonprofits.org

Lawyers4Nonprofits.org