

# Nonprofit Compliance & Good Standing Checklist:

## A practical guide for maintaining 501(c)(3) status

*\*\*This is not legal advice so please confirm this checklist with an attorney and your CPA and add or delete from this list to stay in compliance. This is merely suggested starting point.*

## I. Federal (IRS) Compliance

### Annual Requirements

- **File IRS Form 990** every year (990, 990-EZ, or 990-N depending on revenue)
- **Maintain accurate financial records** (income, expenses, donations, payroll, grants)
- **Acknowledge donations properly**
  - Provide donor receipts for gifts of \$250+
  - Provide written confirmation for any non-cash donations
- **Track restricted funds** separately from general funds
- **Stay within allowable lobbying limits**
- **Avoid political activity** (no endorsing or opposing candidates)

### Key Operational Standards

- **Operate exclusively for charitable purposes**
- **Ensure activities match the mission listed on IRS Form 1023**
- **No private inurement** (no insider benefiting financially beyond reasonable compensation)
- **Reasonable executive compensation** (documented through comparable salary data)
- **Use funds only for charitable purposes**

## II. State Compliance (Texas-specific but adaptable)

### Annual State Filings

- **File annual report with the Texas Secretary of State (if required)**
- **Renew state charitable registration or solicitation permits** (if your state requires it)
- **Submit franchise tax filings** (even if exempt, must file the “No Tax Due” report)

## **State-Level Operational Requirements**

- **Maintain a registered agent on file**
- **Report any changes to board members or organizational structure**
- **Ensure compliance with Texas sales tax exemptions** (if applicable)
- **Keep up-to-date sales tax resale certificates** for purchases used in fundraising

## **III. Organizational Governance Compliance**

### **Board of Directors**

- **Hold regular board meetings**
- **Keep detailed board minutes**
- **Document all major decisions and votes**
- **Maintain minimum number of board members required by bylaws**
- **Conduct annual board review of mission, bylaws, and strategic plan**

### **Policies That Must Be Maintained and Updated**

- **Conflict of Interest Policy**
- **Whistleblower Policy**
- **Document Retention & Destruction Policy**
- **Gift Acceptance Policy**
- **Financial & Internal Control Policies**
- **Volunteer / Staff Code of Conduct**
- **Privacy/HIPAA/Confidentiality policies** (for therapy organizations)

### **Internal Recordkeeping**

- **Maintain accurate bylaws and ensure operation within them**
- **Record all amendments to bylaws**
- **Keep corporate records book updated**
- **Maintain records of all grants, MOUs, contracts, and agreements**

## **IV. Financial Management & Accountability**

- **Annual budget approved by the board**
- **Monthly financial statements reviewed by leadership/board**
- **Cash-handling policies followed**
- **Two signatures or approval steps for large expenditures**
- **Segregation of duties for accounting tasks**
- **Annual financial review or audit** (depending on revenue and state rules)
- **Maintain documentation for all expenses**
- **Ensure donor funds are used exactly as designated**

## **V. Employment & HR Compliance**

- **Maintain employee files** (I-9s, W-4s, background checks, certifications)
- **Follow Department of Labor wage and hour laws**
- **Report payroll taxes (941s)**
- **Issue W-2s and 1099s**
- **Maintain workers' compensation (if required)**
- **Keep volunteer policies and signed waivers updated**

## **VI. Program Integrity & Mission Compliance**

- **Programs align with mission and IRS charitable purpose**
- **Maintain outcome documentation and service records**
- **Maintain safety standards and certifications** (especially for equine programs)
- **Review program effectiveness annually**
- **Avoid mission drift**

## **VII. Public Transparency Requirements**

- **Make Form 990 available to the public upon request**
- **Post mission, programs, leadership, and financials on your website**
- **Ensure accurate public representation in marketing**
- **Avoid deceptive fundraising practices**

## **VIII. Fundraising & Grant Compliance**

- **Follow state charitable solicitation rules**
- **Maintain accurate donor records**
- **Adhere to grant requirements and reporting deadlines**
- **Track use of restricted grant funds**
- **Ensure fundraising staff follow ethical fundraising standards**

## **IX. Facility & Operations Compliance**

- **Maintain liability insurance for property & equine programs**
- **Maintain equine liability signage as required by Texas law**
- **Follow HIPAA/mental health confidentiality**
- **Maintain emergency procedures for clients, volunteers, and horses**
- **Maintain facility safety standards (arena, barns, equipment, property)**

# Optional But Strongly Recommended

- **Annual strategic plan review**
- **Board training & orientation annually**
- **Succession planning for key leadership roles**
- **Annual evaluation of ED/leadership**
- **Cybersecurity & data protection policies**