

Document Retention and Destruction Policies for Nonprofit Organizations

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Contact Us:

The Watershed Institute
c/o Stony Brook-Millstone Watershed Association

31 Titus Mill Road
Pennington, NJ 08534
p: (609) 737-3735

www.thewatershedinstitute.org

What Are Document Retention and Destruction Policies?

Document retention and destruction policies outline the length of time for which your organization will keep certain documents and records, either in hard copy or electronic form. The policies serve as guidelines for staff and board members, indicating which documents to discard and which to save. Such policies ensure compliance with federal laws and prevent accidental or innocent destruction of records.

Why Are They Important?

Document retention and destruction policies are beneficial in many ways. Most importantly, adopting such a policy ensures that your organization is in compliance with federal laws. In particular, nonprofits must maintain certain records to ensure compliance with tax laws. Your organization must also comply with sections of the Sarbanes-Oxley Act. Adopted in 2002, the Act has the goal of rebuilding public trust in America's corporate sector. The majority of its provisions do not require compliance by nonprofits, but could still be beneficial. Two provisions, however, do apply to nonprofits: whistle blower protection and document retention and destruction.

It is also beneficial to adopt a document retention and destruction policy to:

- Learn more about your organization: Most staff and board members were not with your organization when it first formed. Reviewing your files may provide you with important and useful historical information about your group – what projects you have done, who you have partnered with, who has funded your work, and more.
- Gain a better understanding of what you have: By reviewing documents on a regular basis, you will learn more about what documents your organization has and their purposes. You may even discover the perfect photo to use in your next mailing.
- Free up space: By archiving or purging files in an organized and strategic manner, you will make room for new files in your file cabinets, storage areas and computers.
- Reuse resources: As you go through your hard copy files, you will likely find a good number of paper clips, binder clips, and file folders you can reuse, in addition to a supply of scrap paper.

How Does My Organization Create Its Own Policy?

Here are the various steps your organization can take to create a document retention and destruction policy.

1. The first step is to decide how you want to address electronic documents. You may choose to incorporate electronic documents into the same policy as hard copy documents or to create a separate policy to specifically address them.
2. Make a list of all of your documents. What types of information do you have in your file cabinets and computers? Look at existing policies, and review your own files, to ensure you include all of the document types you have.
3. Decide what the value of these documents is – are they legal, historical, or administrative? Legal documents include those that must be maintained to comply with laws and regulations (e.g. IRS tax forms). They may also include binding agreements, such as contracts between your organization and consultants, organizational bylaws, and other important records. Historical documents are those relevant to the past of your organization, such as past newsletters. Administrative documents are those pertaining to the day-to-day operations of your organization, such as general correspondence. One document may have multiple values. Also consider if there are other values in addition to these three.
4. For each document value, select the number of years, or range of years, to hold on to them. Consider your available storage space when working on this part of the policy. Certain legal documents may have time requirements set by governmental authorities, so be sure to meet those requirements. Common time periods to retain documents are 2, 7, and 10 years. Some documents, such as your Articles of Incorporation, should be kept forever.
5. Consider what resources are available for storage of documents. Do you have a storage area for archiving hard copy files, or is everything stored in your president's home office? How much memory do your computers have, and what resources are available for archiving electronic documents? What would you need to do to ensure you have adequate storage space in the future?
6. Decide what methods of document destruction to use. Do you have a paper shredder? What methods are appropriate for which document types?
7. Using all of the information gathered above, create a draft policy. Helpful sections to include are:
 - a. Policy purpose
 - b. Definitions
 - c. Procedures for implementation
 - i. Procedures for document review and purging
 - ii. Procedures for document labeling and storage
 - iii. Person(s) responsible for implementing the policy
 - d. Table of document type, value, years retained, and destruction method
8. Have your board and staff members review the draft policy and provide comment. This will help ensure that you do not leave out any types of documents and will help everyone to understand that they play a role in implementing the policy.
9. Once any edits are made to the draft policy, finalize the policy and have it formally adopted by your Board.
10. Implement the policy. Be sure all board and staff members have a copy. Holding occasional board and staff days for everyone to review their documents would encourage use of the policy.

Sample Policy

The Watershed Institute has adapted its own policy for inclusion as a sample policy. Because the policy was originally developed for a program, not an organization, it may not be as comprehensive as your organization would need. See the Resources section for other samples that may more comprehensively address different organizational needs.

1. Purpose: The purpose of this policy is to ensure that The Watershed Institute manages data in an efficient and effective manner, maintains historical records related to its financial and administrative operations, and purges documents as part of its normal management process. By establishing a specific timeline for document purging, this shall also ensure compliance with the Sarbanes-Oxley Act, which prohibits the alteration, falsification or destruction of documents that are part of any official proceeding. If anyone associated with the Institute becomes aware of any investigation, the Institute shall be notified immediately so that document purging will cease and all relevant documents will be appropriately identified and protected.
2. Definitions:
 - a. "Document" refers to any item listed in the table below, in either hard copy, or electronic form. Electronic files also include those in audio/visual or emailed forms.
 - b. "Administrative" refers to documents pertinent to the day-to-day operations of the Institute.
 - c. "Historic" refers to documents that are valuable for maintaining knowledge of the history of the Institute and its work.
 - d. "Legal" refers to any document that is a contract or agreement between parties, that contains financial information relevant to IRS filings, or that must be maintained to comply with laws and regulations.
 - e. "Recycle/scrap paper" includes disposal by normal recycling methods or reuse as scrap paper for internal printing or note taking.
 - f. "Shred" means using a shredder machine to properly shred and dispose of documents.
 - g. "Delete" means to delete an electronic file.
3. Labeling and Storage: All files, both hard copy and electronic, shall be labeled by topic and year (if applicable). Electronic copies shall be saved in appropriate folders on network drive. Hard copies shall be stored in file cabinets, or archived in the attic on the 3rd floor of the main office building. Archived hard copy files shall be stored in firm, water and animal proof containers, clearly labeled with "Watershed Institute," topic, and year. If documents of similar type and with the same retention and destruction requirements are stored together, they shall also be labeled with a "destroy after" date so that they do not have to be reviewed additional times.
4. Review and Purging: Review and purging of files may take place in an ongoing manner, but must occur at least every two years in even numbered years, and must follow the minimum retention requirements stated below. Such review and purging must also occur prior to archival storage of any files.
5. Document Drafts: Once the final copy of a document has been completed, the drafts may be recycled or deleted, unless they are documents of legal value. For documents determined to be of legal value, drafts containing comments shall be saved for a minimum of two years, and drafts without comment may be destroyed once the final version is complete.

<u>Document Type</u>	<u>Value</u>	<u>Minimum Retention Requirement</u>	<u>Destruction Method</u>
Organizational founding documents (e.g. Articles of Incorporation, Bylaws, IRS Letter of Determination)	Legal, historic	Permanently	N/A
Formal meeting notes (e.g. Board, Advisory Committee)	Administrative, historic	Permanently	N/A
Informal (handwritten) meeting notes (e.g. staff meetings)	Administrative	2 years, or longer if topics remain relevant	Recycle/scrap paper
Funded grant proposals, reports, correspondence, etc.	Administrative, historic, legal	7 years after closure	Shred financial and private information, or recycle/scrap; delete electronic version
Rejected grant proposals, correspondence, etc.	Administrative, historic	2 years after rejection	Shred financial and private information, or recycle/scrap; delete electronic version
Timesheets	Administrative, historic, legal	7 years after end of employment	Shred if contains personal information, or recycle/scrap
Expense reports	Administrative, historic, legal	7 years after end of employment	Shred if contains financial information, or recycle/scrap
Budgets	Administrative, historic, legal	7 years	Shred; delete
Subscriptions/memberships	Administrative, historic, legal	2 years after end of subscription	Shred if contains financial information, or recycle/scrap
Employee evaluations	Administrative, historic, legal	7 years while employed, 2 years after end of employment.	Shred; delete
Contracts with, invoices from, vendors	Administrative, historic, legal	7 years after expiration/payment	Shred; delete
Workshop files <ul style="list-style-type: none"> • Marketing • Attendee list • Invoices from consultants or payment record from attendees • Contracts with consultants • Payments for food/supplies • General information 	Administrative, historic, and/or legal	<ul style="list-style-type: none"> • 7 years • 7 years • 7 years • 7 years • 7 years • 2 years 	<ul style="list-style-type: none"> • Recycle/scrap; delete • N/A • N/A • N/A • Shred • Recycle/scrap; delete
Topical information	Administrative	2 years, or as long as still relevant	Recycle/scrap; delete
Correspondence (general)	Administrative, historic	2 years or as long as still relevant	Recycle/scrap; delete
Presentations given <ul style="list-style-type: none"> • Presentations that can be reused • Presentations for one use 	Administrative, historic	<ul style="list-style-type: none"> • 7 years • 2 years 	<ul style="list-style-type: none"> • Recycle/scrap; delete • Recycle/scrap; delete
Photographs <ul style="list-style-type: none"> • High quality with details of event • Photos missing details of event • Low quality 	Administrative, historic	<ul style="list-style-type: none"> • 10 years • 2 years • 2 years 	<ul style="list-style-type: none"> • Recycle/scrap; delete • Recycle/scrap; delete • Recycle/scrap; delete
Press clippings	Historic	Permanently if electronic or a hard copy without electronic backup; 2 years for hardcopy with backup	Recycle/scrap

Resources

Below are resources on policies and some of the laws to be considered when developing your own.

Policy Resources

The following websites provide information on creating document retention and destruction policies and/or are sample policies:

- Model Document Retention Policy for Nonprofits
<http://www.blueavocado.org/content/model-document-retention-policy-nonprofits>
- Sample Document Retention/Destruction Policy
<http://managementhelp.org/misc/Sample-Document-Retention-Destruction-Policy.pdf>
- Sample Document Retention and Destruction Policy
http://navref.org/library/records_retention.htm
- National Council of Nonprofits Document Retention Policies Webpage
<http://www.councilofnonprofits.org/document-retention-policies>
- Independent Sector Document Retention and Destruction Webpage
http://www.independentsector.org/principle_5_document_retention_and_destruction?s=retention

IRS Resources

The resources below are related to nonprofit governance and compliance with tax laws:

- IRS Recommended Governance Practices
http://www.irs.gov/pub/irs-tege/governance_practices.pdf
- Compliance Guide for 501(c)(3) Public Charities
<http://www.irs.gov/pub/irs-pdf/p4221pc.pdf>

Sarbanes-Oxley Resources

The following websites include information on the Sarbanes-Oxley Act and its applicability to nonprofits:

- Sarbanes-Oxley and Nonprofits: Bogeyman in the Boardroom?
<http://www.blueavocado.org/content/sarbanes-oxley-and-nonprofits-bogeyman-boardroom>
- The Sarbanes-Oxley Act and Implications for Nonprofit Organizations
<http://www.boardsource.org/clientfiles/sarbanes-oxley.pdf>
- The Implications of the Sarbanes-Oxley Act on Nonprofits
<http://www.councilofnonprofits.org/resources/resources-topic/ethics-accountability/implications-sarbanes-oxley-act-nonprofits>
- A Guide to the Sarbanes-Oxley Act
<http://www.soqlaw.com/>
- The Text of the Sarbanes-Oxley Act
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_bills&docid=f:h3763enr.tst.pdf

Disclaimer: Please note that the material contained in this publication is not intended for, nor may it be used for, legal advice. Consult your own legal and tax advisors to ensure your organization is in compliance with all applicable laws and regulations.

Questions? Contact Us

Alyse Greenberg, Program Coordinator, The Watershed Institute
Institute@thewatershed.org

The Watershed Institute
c/o Stony Brook-Millstone Watershed Association
31 Titus Mill Road
Pennington, NJ 08534
Phone: (609) 737-3735
Fax: (609) 737-3075



A Program of the Stony Brook-Millstone Watershed Association

www.thewatershedinstitute.org

About Us

The purpose of the Watershed Institute is to provide New Jersey's watershed groups with the knowledge, skills and resources they need to be strong and sustainable organizations protecting their local environments, and to foster a unified watershed movement to ensure clean water and healthy habitats throughout the state. The Institute accomplishes this by holding workshops and idea sharing meetings; encouraging group coordination on state policy issues; administering a grant program; providing one-on-one assistance to groups; and distributing relevant information through publications, a listserv and a website.



The Watershed Institute is a program of the
Stony Brook-Millstone Watershed Association.