



Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)

Original URL: <https://www.councilofnonprofits.org/running-nonprofit/governance-leadership/document-retention-policies-nonprofits>

# Document Retention Policies for Nonprofits

Think of a document retention policy simply as a document management policy. It is unwieldy and unrealistic, as well as unnecessary, to think that a nonprofit will keep every document it generates. Normally it is fine to clean up your desk by tossing out papers here and there, but when one staff person presses delete on a key document, and that document is needed later – or if the subject of the document is under legal investigation and it appears that the nonprofit deleted it as a cover-up – trouble can follow. Adopting a written document retention policy ensures that staff and volunteers follow consistent guidance about document retention and that document destruction/deletion becomes a routine business practice of the nonprofit.

Developing a document retention policy may seem overwhelming at first, but think of it as simply a record of what types of documents the nonprofit must retain and for how long. The policy should specify that the nonprofit will also adhere to a regular business practice of document destruction according to the schedule referred to in the policy.

Document retention policies are one of several good governance policies that the IRS highlights on the Form 990 by asking whether the filing nonprofit has adopted a written record retention policy.

A document retention and destruction policy identifies the record retention responsibilities of staff, volunteers, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records.

Source: Instructions to the Form 990 page 24

## **What should be retained?**

Unfortunately, there is no regulation or guideline for document retention that covers all nonprofits, and we hesitate to provide a template. Each nonprofit needs to investigate and learn what its own state law requires as well as seek to retain only those documents that are relevant to activities of that particular nonprofit. Not only do state laws differ as to what must be retained, but nonprofits vary in the types of documents they generate. However, it is possible to identify a handful of documents that every charitable nonprofit should save permanently, as well as others that should be saved for a certain length of time by most nonprofits.

- In some cases, the length of time to retain a document should be governed by the time period that a potential claimant has to bring a claim in that state (statute of limitations differ from state to state).
- If using a template document retention policy prepared by another nonprofit, we recommend that you take a close look at the template and customize it before adopting it for your nonprofit.

## **Keep these records permanently**

- Articles of Incorporation
- Audit reports, from independent audits
- Corporate resolutions
- Checks
- Determination Letter from the IRS, and correspondence relating to it
- Financial statements (year-end)
- Insurance policies
- Minutes of board meetings and annual meetings of members
- Real estate deeds, mortgages, bills of sale

- Tax returns

These categories can serve as starting point for checking **state-specific** regulations that address document retention or destruction rules:

→ Corporate governance, credit card transactions, donor records, employment matters, fundraising activities, licenses (for such things as raffles), insurance, investments and banking, serving/treating patients, programs and activities, real estate sales, leases and other contracts with vendors, tax-exempt certificates issued by the state.

## Sample policies

Your local [state association of nonprofits](#) may offer a state-specific sample document retention policy as a member-only resource.

- [All about document retention policies](#) (Minnesota Council of Nonprofits)
- [Sample document retention policy](#) (American Institute of Certified Public Accountants)

## Practice Pointers

- Document retention policies apply equally to documents saved in the cloud, on a server, or in a filing cabinet. If your nonprofit is using digital storage, make sure you have a back-up plan!
- While having a document retention policy gives staff the green light to toss certain documents (on a schedule, preferably), as you are creating a policy specifically for your nonprofit, think about whether there are certain types of documents or specific documents that for the sake of history, or institutional memory, should be maintained permanently.
- State laws relating to employment (such as those governing employment/payroll) vary state to state, and often have implications for document retention policies.
- Nonprofits serving minor children may need to retain certain records at least until the child reaches majority age, plus the time allowed by the state statute of limitations for the now-adult to bring a claim against the nonprofit.

- Check with the professional advisor/accounting firm that prepares your nonprofit's annual federal tax returns and ask what documents may be needed in the event of an IRS audit and how long to retain them.
- Your nonprofit may want to include a preamble to its policy, emphasizing the connection between a document retention policy and the fiduciary duty of the board of directors. This language is from the Minnesota Council of Nonprofits, Principles and Practices for Nonprofit Excellence:

...[T]he adoption of a document retention policy sets guidelines and facilitates directors' fulfillment of the duty of care, establishes transparency and ensures compliance.

- While it may not be obvious, email records are "documents" that should also be addressed in the nonprofit's document retention policy.

## **Additional Resources**

- [Document Retention policies - What every nonprofit should know](#) (includes a sample policy) (DC Bar Pro Bono Center)
- [IRS Compliance Guide for 501\(c\)\(3\) Public Charities](#) (IRS)
- [All about the document retention provision of the Sarbanes Oxley Act](#) (Hurwit & Associates)

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