

Document Retention Policies

From the National Council of NonProfits

Some documents and business records of a nonprofit should be maintained permanently, such as:

- Articles of Incorporation
- Determination Letter from the IRS
- insurance policies
- minutes of meetings
- corporate resolutions

Just as removing emails from your inbox on a regular basis is good housekeeping, so is discarding non-essential paperwork from old file cabinets. But what if you inadvertently throw out something critical? How will your staff know what to discard and what to save? Having a document retention/destruction policy will give everyone guidance on what to save, what to archive, and what to shred and when.

The IRS explains why it asks about document retention policies on the Form 990:

"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 20)

The Sarbanes-Oxley Act's prohibition of the destruction of documents that are subject to review in litigation provides an additional rationale for every nonprofit adopting a document retention policy. This will create a regular business practice of systematic document destruction in accordance with an approved schedule. Having a written policy, and regular business practice of document destruction according to a schedule, lets people know what documents to retain (and for how long). Such a policy is not only a prudent practice but also sound risk management.

The process of developing a document retention policy involves: (1) Identifying what types of paperwork (and electronic files) your nonprofit generates; (2) Determining the appropriate (and legal) length of time to retain them; and (3) Recording those retention times on a written schedule.

The IRS has explicitly stated that adoption of the policies and practices about which the new Form 990 asks is not mandatory, although the IRS has also indicated that it attaches significance to the manner in which all tax-exempt nonprofit organizations govern themselves. Each organization should determine if a formal policy should be adopted.

Following are general guidelines on document and length of retention

Document Type	Retention Period
Accounting and Finance	
Accounts Payable	7 years
Accounts Receivable	7 years
Annual Financial Statements and Audit Reports	Permanent
Bank Statements, Reconciliations & Deposit Slips	7 years
Canceled Checks routine	7 years
Canceled Checks special, such as loan repayment	Permanent
Credit Card Receipts	3 years
Employee/Business Expense Reports/Documents	7 years
General Ledger	Permanent
Interim Financial Statements	7 years
Contributions/Gifts/Grants	
Contribution Records	Permanent
Documents Evidencing Terms of Gifts	Permanent
Grant Records	7 yrs after end of grant period
Corporate and Exemption	
Articles of Incorporation and Amendments	Permanent
Bylaws and Amendments	Permanent
Minute Books, including Board & Committee Minutes	Permanent
Annual Reports to Attorney General/Secretary of State	Permanent
Other Corporate Filings	Permanent

IRS Exemption Application (Form 1023 or 1024)	Permanent
IRS Exemption Determination Letter	Permanent
State Exemption Application (if applicable)	Permanent
State Exemption Determination Letter (if applicable)	Permanent
Licenses and Permits	Permanent
Employer Identification (EIN)	
Designation	Permanent

Correspondence and Internal Memoranda

Hard copy correspondence and internal memoranda relating to a particular document otherwise addressed in this Schedule should be retained for the same period as the document to which they relate.

Hard copy correspondence and internal memoranda relating to routine matters with no lasting significance: **Two years**

Correspondence and internal memoranda important to the organization or having lasting significance: **Permanent, subject to review**

Electronic Mail (E-mail) to or from the organization

Electronic mail (e-mails) relating to a particular document otherwise addressed in this Schedule should be retained for the same period as the document to which they relate, but may be retained in hard copy form with the document to which they relate.

E-mails considered important to the organization or of lasting significance should be printed and stored in a central repository: **Permanent, subject to review**

E-mails not included in either of the above categories: **12 months**

Electronically Stored Documents

Electronically stored documents (e.g., in pdf, text or other electronic format) comprising or relating to a particular document otherwise addressed in this Schedule should be retained for the same period as the document which they comprise or to which they relate, but may be retained in hard copy form (unless the electronic aspect is of significance).

Electronically stored documents considered important to the organization or of lasting significance should be printed and stored in a central repository (unless the electronic aspect is of significance): **Permanent, subject to review**

Electronically stored documents not included in either of the above categories: **Two years**

Employment, Personnel and Pension

Personnel Records	10 yrs after employment ends
Employee contracts	10 yrs after termination
Retirement and pension records	Permanent

Insurance

Property, D&O, Workers'	Permanent
Compensation and General Liability	
Insurance Policies	
Insurance Claims Records	Permanent

Legal and Contracts

Contracts, related correspondence and other supporting documentation	10 yrs after termination
Legal correspondence	Permanent

Management and Miscellaneous

Strategic Plans	7 years after expiration
Disaster Recovery Plan	7 years after replacement
Policies and Procedures Manual	Current version with revision history

Property — Real, Personal and Intellectual

Property deeds and purchase/sale agreements	Permanent
Property Tax	Permanent
Real Property Leases	Permanent
Personal Property Leases	10 years after termination
Trademarks, Copyrights and Patents	Permanent

Tax

Tax exemption documents & correspondence	Permanent
IRS Rulings	Permanent
Annual information returns — federal & state	Permanent
Tax returns	Permanent