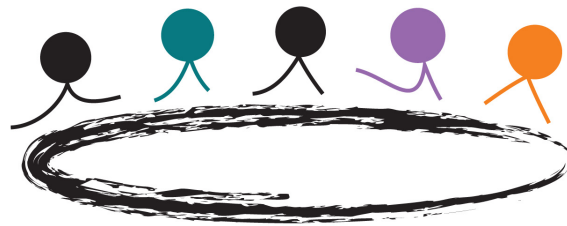




Best Practice Materials for Nonprofit Boards

Table of Contents

INTRODUCTION	II
501 COMMONS SERVICES.....	II
SECTION 1: ROLE OF THE BOARD	II
Responsibilities of the Board of Directors.....	iii
Clarifying the role of the board and the role of the executive.....	iv
Sample Board Member Commitment Form.....	viii
Sample Position Descriptions for Board Members and Officers	x
<i>Member, Board of Directors.....</i>	<i>x</i>
<i>President or Chair of the Board.....</i>	<i>xi</i>
<i>Vice President or Vice Chair of the Board.....</i>	<i>xi</i>
Board Self Assessment	xiii
501 Commons Board Self-Assessment.....	xiv
SECTION 2: BOARD RECRUITMENT.....	XVIII
Checklist of Materials for Potential Board Members.....	xviii
The Do's and Don'ts of Board Recruitment	xix
Board Member Types	xx
SECTION 3: BOARD POLICIES.....	XXII
Sample Board Operating Policies	xxii
Sample Board Policies for Questions Asked on the IRS 990 Forms.....	xxviii
<i>Conflict of Interest.....</i>	<i>xxviii</i>
<i>Document/Electronic Record Retention Policy and Procedures</i>	<i>xxxiv</i>
<i>Private Inurement Policy.....</i>	<i>xxxviii</i>
SECTION 4: RESOURCES	XL

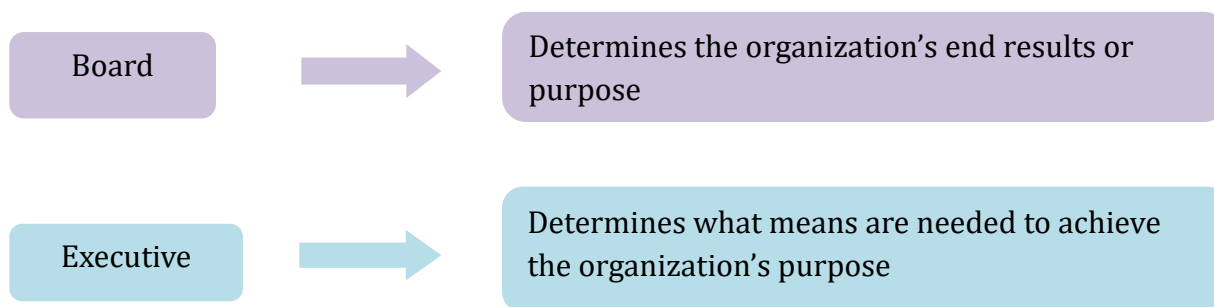


Introduction

These materials are provided to assist you in developing an effective board with clear responsibilities. Use these materials as templates or a starting point for your organization, adapting them to the needs of your organization.

Forming an effective board requires the board to have a clear answer to this question: **What benefits (or end results) are we providing to whom?**

In addition to answering this question, the board needs to establish a single point of administrative authority. This person is responsible for using whatever means are necessary to accomplish these desired ends, within limitations the board should establish in advance. (Examples of limitations are not breaking the law, not treating volunteers, staff or clients inappropriately, or not getting into debt etc.)



The organization will be able to make better decisions more quickly and use the talents of its board members and administrative director if the board:

- Is clear about its role
- Approves procedures for how the board is going to operate and
- Establishes a partnership with the administrative director that so they can take the actions needed to accomplish the intended end results of the organization.

501 Commons Services

501 Commons provides board training, retreat planning and facilitation, strategic planning or goal setting, confidential board surveys and other services. Thanks to our service corps members who donate their time and talents and the support of corporate and private funders, all 501 Commons services are provided at affordable sliding scale rates.

Section 1: Role of the board

A nonprofit organization must, at a minimum, have a board president or chair, vice president or vice chair, secretary, and a treasurer. It is important that most board members are not related to the founder or executive (executive director or chief operating officer) A board of less than 15 will be better able to operate as a group and achieve a high level of engagement. Ideally, board members

should be people who are interested in **governing** the organization not in hands-on volunteer activities, and especially, not in a management role. You can involve others in your organization by establishing a resource council rather than having a large board.

Responsibilities of the Board of Directors

Framework

The board of directors establishes the framework for the organization.

- Creates and updates the mission and vision statements
- Defines what benefits (or end results) the organization is providing to whom and what it will cost to deliver them?
- Determines how organizational performance will be measured.

Direction

The board of directors sets the direction for the organization.

- Sets goals and approves and monitors the strategic or business plan
- Develops organizational policies, including the policies that govern how the board will operate.

Accountability

The board of directors is responsible for the behavior and performance of board members and the executive.

- Establishes the code of ethics for the board and executive, including policies related to private inurement and conflict of interest, and sets the tone for organizational behavior.
- Hires and fires the executive.
- Establishes the end results the executive is assigned to achieve and defines any limitations on the means the executive can use or any functions the executive must perform.
- Monitors financial and operational performance. Evaluates the executive based on achievement of the end results and compliance with predefined limitations or requirements.
- Serves as the last court of appeal within the organization.
- Selects an auditor and receives the audit report.

Good Will and Support

The board of directors represents the organization to the outside world and provides support and counsel to the executive.

- Supports the organization by making personal donations, garnering resources and advisors and assisting with fundraising.
- Serves as the organization's ambassador to other agencies, funders and potential funders and the general community
- Communicates the value of the organization to prospective donors.

- Attracts donors, supporters, favorable press, and new board members

Clarifying the role of the board and the role of the executive

This tool helps board and executives clarify who has the primary accountability for what organizational activities. The list shown below and the choice in the responsibility column are not necessarily the correct answers for your organization. If, however, the majority of activities are the responsibility of the board you should explore the question of whether you have delegated sufficient authority to the executive for them to be effective in leading the organization. Executives who must consult with the board on most management decisions may not be able to move the organization forward and respond to opportunities or threats.

Clear authority makes the organization more agile

If a responsibility belongs to the executive, the board should discuss if the executive should bring information about that function to the board, in what form and frequency. Unless directed by the executive, the board should avoid gathering information about the organization or setting up relationships with staff members other than the executive, since this will compromise the management structure of the organization.

Directions

As a group, go through the list of activities and add any major activities undertaken by the board or major activities that are carried out by the executive. Then go through and define who is primarily responsible for each activity. You can use the tools as it is with answers supplied in the responsibility column or use a blank column which opens up the discussion further.

This tool is a vehicle for exploring the assumptions of all members of the board and setting out clearly those activities for which the executive has primary responsibility. Limit shared responsibility to only those few activities that must be shared. Having the lead responsibility for something does not rule out information sharing, monitoring of performance, or consultation between board and executive.

Tip: Pay careful attention to the verbs used below and the difference between the board's role of assuring that the executive does something and the executive's management role. Generally, boards "ensure, approve, and oversee" while executives "develop, maintain, prepare."

Board and Executive Responsibilities

BOARD OPERATIONS

Board, executive
or joint?

Activity	Responsibility
Develop, approve and modify bylaws	
Establish written policies and procedures for board operations not addressed in the bylaws	
Appoint committees and hold them accountable	
Establish and enforce expectations for attendance at board/committee meetings	
Recruit new board members	
Train board members	
Plan agenda for board meetings	
Take minutes at board meetings	
Plan and propose committee structure	
Prepare exhibits, materials, and proposals for the board and committees	
Sign or delegate the signature of legal documents	
Follow-up to insure implementation of board and committee decisions	
Settle discord between committees	

PLANNING

Establish mission	
Articulate a vision for achieving the mission	
Approve long range goals	
Provide input to long range goals	
Formulate annual objectives	
Direct the operational planning process	
Approve the executive's annual objectives	
Prepare performance reports on achievement of goals and objectives	

Monitor achievement of goals and objectives	
---	--

PROGRAMMING

Assess stakeholder/client needs	
Oversee evaluation of products, services and programs	
Develop new programs or revise current programs	
Approve new programs or major revisions to current programs	
Maintain program records; prepare program reports	
Determine if the organization is being effective in achieving its mission (Review program evaluation, client/customer surveys. Hold meetings with constituents or clients etc.)	

FINANCIAL PLANNING, MANAGEMENT, AND OVERSIGHT

Prepare operating and capital budget	
Finalize and approve budget	
Ensure that expenditures are within budget	
Approve expenditures outside authorized budget levels	
Provide for the periodic audits and financial reviews	
Develop financial policies and procedures , including policies related to private inurement, retention of records, conflict of interest, and whistleblower policies	
Approve financial policies and monitor that policies are being followed.	
Ensure that there is adequate segregation of financial duties so that no one person is involved in all aspects of financial transactions.	
Establish audit committee to receive and review audit	

FUNDRAISING

Develop and implement fundraising plan	
Individually contribute to ORGANIZATION	
Solicit contributions from others	
If membership organization: Solicit organizations/ individuals to join	

Represent the organization in meetings with potential funders.	
--	--

PERSONNEL

Hire and discharge executive.	
Establish executive compensation	
Ensure succession planning	
Establish performance expectations/agreement and annually evaluate the executive.	
Direct the work of the organization and its programs	
Hire, supervise, evaluate and discharge staff other than the executive	
Recruit, train, and evaluate volunteers	
Handle whistleblower complaints against the executive by a staff member	

MARKETING/COMMUNITY RELATIONS:

Interpret ORGANIZATION to local communities	
Solicit information from funders, supporters, customers, clients, partners etc. about the organizations performance	
Develop marketing plan, materials, and awareness campaigns	

Sample Board Member Commitment Form

A commitment form provides a way to communicate clearly the expectations of board members.

ORGANIZATION

Board Member Commitment Form

Board duties

I will:

- Attend at least ___% of all Board meetings by phone or in person
- Review the agenda and supporting materials prior to board and committee meetings.
- Serve on committees and take on special assignments as needed.
- Personally contribute to ORGANIZATION
- Remain informed about ORGANIZATION mission, services, and policies and promote ORGANIZATION, as agreed annually by the Board.
- Provide support and advice to the staff but avoid interfering in management activities.
- Suggest nominees and participate in board recruitment.
- Support the organization by representing the organization in the community and with funders.

Board member code of conduct

As a board member I understand that I have duties of care, loyalty, and obedience to the organization.

- The duty of care is the duty to pay attention to the organization—to monitor its activities, see that its mission is being accomplished, and guard its financial resources.
- The duty of loyalty is the duty to avoid conflicts of interest, and
- The duty of obedience is to carry out the purposes of the organization and to comply with the law.

As a board member I agree to:

- Act with honesty and integrity
- Support in a positive manner all actions taken by the board of directors even when I am in a minority position on such actions. I recognize that decisions of the board can be made only by a majority vote at a board meeting and respect the majority decisions of the board, while retaining the right to seek changes through ethical and constructive channels;
- Participate in (1) the annual strategic planning retreat, (2) board self-evaluation programs, and (3) board development workshops, seminars, and other educational events that enhance my skills as a board member.
- Keep confidential information confidential.

- Exercise my authority as a board member only when acting in a meeting with the full board or when appointed by the board.
- Work with and respect the opinions of my peers who serve this board, and leave my personal prejudices out of all board discussions.
- Always act for the good of the organization and represent the interests of all people served by the organization.
- Represent this organization in a positive and supportive manner at all times.
- Observe the parliamentary procedures and display courteous conduct in all board and committee meetings.
- Refrain from intruding on administrative issues that are the responsibility of management, except to monitor the results of the organization.
- Accept my responsibility for providing oversight of the financial condition of the organization.
- Avoid acting in a way that represents a conflict of interest between my position as a board member and my personal or professional life, even if those actions appear to provide a benefit for the organization. This includes using my position for the advantage of my friends and business associates. If such a conflict does arise, I will declare that conflict before the board and refrain from voting on matters in which I have conflict.
- Abide by these board operating procedures.

Signature

Date

Sample Position Descriptions for Board Members and Officers

Member, Board of Directors

Purpose

A member of the board of directors is responsible for ensuring that ORGANIZATION fulfills its mission by planning for the future, monitoring operations, and evaluating the organization's performance. A board member must fulfill the fiduciary responsibilities of the board of directors, making corporate decisions that protect the public interest.

Key Responsibilities

- Advance the mission of ORGANIZATION.
 - Actively promote the mission of ORGANIZATION, contributing ideas and expertise.
 - Keep up-to-date on developments in the organization's field.
 - Be informed about the organization's mission, services, policies, and programs; inform others about the organization, and work to enhance the organization's public image.
- Select the executive through an appropriate process.
 - Provide ongoing support and guidance for the executive staff.
 - Annually review performance.
- Ensure effective organizational planning.
 - Determine and monitor the organization's programs and services.
 - Participate in the development of a strategic plan to accomplish the mission, oversee its implementation and evaluate its success.
- Actively participate in all board activities.
 - Attend in person or by phone bi-monthly board meetings.
 - Review agenda and supporting materials prior to board and committee meetings.
 - Serve on a committee and periodically take on special assignments.
 - Suggest nominees to the board who can make significant contributions to the work of the board and to the organization.
 - Assess the board's performance.
- Ensure adequate resources.
 - Make a personal financial contribution to the organization.
 - Manage resources effectively.
 - Carry out the fiduciary responsibilities of the board, such as reviewing the organization's annual financial statements, selecting an auditor and receiving the auditor's report.
- Follow conflict-of-interest and confidentiality policies.

Elected by

Board of directors

Term Length

Per by-laws

Time commitment

Monthly meetings; additional time required for committee work and other board commitments.

Reports to

Board Chairperson

Budget support

Limited

President or Chair of the Board**Function**

Assure that the Board fulfills its responsibilities to the organization.

Responsibilities

- Chair meetings of the board and executive committee.
- Call special meetings if necessary.
- Serve as ex officio member of all committees.
- Work in partnership with the executive to achieve the mission of the organization and make sure board resolutions are carried out.
- Communicate any concerns management has regard to the role of the board or individual board members. Communicate to executive the concerns of the board and other constituencies.
- Appoint all committee chairs and with the executive recommend who will serve on committees.
- Assist the executive in preparing the agenda for board meetings.
- Work with the staff to recruit board members and other needed volunteers.
- Conduct new board member orientations.
- Oversee searches for the executive. Recommend salary for consideration by the appropriate committee.
- Coordinate periodic board assessment with the staff.
- Periodically consult with board members on their roles helping them assess their performance
- Annually focus the board's attention an assessment of its own structure, role, and relationship to management.

Vice President or Vice Chair of the Board**Function**

Stand in for the chair if he/she is unavailable.

Responsibilities

- Attend board meetings.

- Serve on the executive committee.
- Carry out special assignments as requested by the board chair.
- Understand the responsibilities of the board chair and be able to perform these duties in the chair's absence.

Secretary of the Board

Function

Maintain all board records and ensure their accuracy and safety.

Responsibilities

- Attend board meetings.
- Serve on the executive committee.
- Review board minutes.
- Assume responsibilities of the chair in the absence of the board chair and vice chair.
- Provide notice of board meetings and committee meetings when such notice is required.

Treasurer of the Board

Function

Serve as financial officer of the organization.

Responsibilities

- Attend board meetings.
- Serve on the executive committee and chair the finance committee.
- Assure that the organization is following appropriate financial policies and that qualified staff or consultants perform financial functions. Understand regulatory and legal requirements for financial accounting and standards of practice for nonprofit organizations.
- Assure that accurate financial records for the organization are being kept
- Subject to the direction of the board, endorse for deposit notes, checks, and drafts received by the organization.
- As ordered by the board, disburse organizational funds and issue checks and drafts in the name of the organization.
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities.
- Assist the chief executive or the chief financial officer in preparing the annual budget and presenting the budget to the board for approval.
- At specified reporting periods, and upon request, provide the chairperson and the board with an account of transactions by the treasurer and of the financial condition of the organization
- With the executive, select an independent auditor, review the annual audit, and answer board members' questions about the audit.

Board Self Assessment

501 Commons consultants frequently use a version of the attached self-assessment survey, as well as interviews, when working with boards. The intent of the survey is to determine how satisfied board members are with board processes and how individual members and the board as a whole can be most effective in supporting the organization.

A board assessment process can help board members:

- Reflect on their experience.
- Explore how comfortable, enjoyable, and meaningful participation on the board is to the board member
- Understand individual expectations for preparation time, how the meetings are run, and how decisions are made.
- Identify different perceptions and opinions among board members about the board's role.
- Identify and remove obstacles to increased board effectiveness.

The survey, while brief, points to issues that need board discussion and clarification. Generally, when 501 Commons is involved with an organization's board or advisory board, 501 Commons tabulates all the responses so that the results and comments from the surveys and the interviews will be reported, but not attributed to an individual. Board members and staff only see the compiled results. Because it is helpful if people are very frank in their responses this level of confidentiality may increase the candor of the answers.

What you need to consider

- Do you want to use a survey tool for board self-assessment?
- Would like to have the results handled confidentially? If this is the case, we will recruit a 501 Commons volunteer who will collect and tabulate the results and report back to us at a future meeting.
- Are the topics areas and questions on the attached survey appropriate and relevant for your board? What is missing?

501 Commons Board Self-Assessment

Mark with an “x” the column that best represents your agreement or disagreement with the statement.

		Strongly agree	Agree	Disagree	Strongly disagree	Not sure or can't rate
	I feel the meetings focus on important organizational matters.					
	I am clear about my responsibilities as a member of the board					
	Materials related to significant decisions are given to the board far enough in advance of the meeting.					
	The amount of material I need to read prior to the meetings is reasonable.					
	It is clear to me how urgent matters are handled between meetings.					
	I feel I have a clear understanding of the mission and activities of the organization.					
	When I was new to the board, I was given sufficient information to allow me to make a contribution to the organization quickly					
	I receive financial information that is understandable and gives me a clear sense of the organization's financial position.					
	I receive information about the organization's services that allows me to understand the impact the organization is having.					

	I feel that I have the information I need to effectively represent the organization to the community and to ask for financial support					
	There is good follow-up on tasks delegated to me or other board members.					
	I feel that other members listen to my opinions					
	I feel I can comfortably say when I disagree with another member or with staff					
	The board gives honest feedback to the executive.					
	It is clear to me how the board will be involved in important decisions.					
	Board members understand that they do not have authority to act on behalf of the board or the organization unless specified in the bylaws or through a board decision.					
	The board has a clear process for making important decisions.					
	The board sets resource development goals and actively supports fundraising and resource development efforts.					
	The board sets explicit performance measures for the executive and evaluates performance against these measures.					
	The board's uses a formal and approved format for the executive performance evaluation. <i>(Note: A 360 is a developmental tool, not an evaluation tool.)</i>					

	The board sets clear goals that are realistic and relevant to the strategic plan.					
22. 1	<p>The board has the needed skills, diversity, and representation of stakeholders</p> <p>If you disagree, please describe what skills or characteristics are missing:</p>					
	If a friend or valued professional contact was a good match for the board's needs, I willing to recruit them.					

24. How satisfied are you with the work of the board overall (circle your answer)

VERY SATISFIED

SATISFIED

NOT SATISFIED

Please list the three areas where you would like to see the board improve its performance focus in the next year. Be as specific as possible.

Please list the three areas where you would like to see the board focus its attention in the next year. Be as specific as possible.

- 1.
- 2.
- 3.

Board member name:

(This is to assure that we get responses from everyone and that the interviews can follow-up on the responses. Comments and responses will not be attributed to individual board members.)

Section 2: Board Recruitment

Checklist of Materials for Potential Board Members

Contact Date: _____ Follow-up Date: _____
Material Sent _____ (date) by: _____
Name: _____
Title: _____
Organization: _____
Address: _____
City: _____ State: _____ Zip: _____ Phone: (w) (____) _____
(h) (____) _____ Mobile: (____) _____ E-mail _____

☐ Program information
☐ Brochure
☐ Staff bios
☐ Most recent financial statement
☐ Most recent audit or financial review
☐ List of board members with current positions or short bios
☐ Board member position description
☐ Board commitment form
☐ Other _____

After a candidate has accepted service on the board:

- Receive Board Member Notebook with program information, copy of all board policies, by-laws
- Sign two copies of Position Description and Commitment form, return one to ORGANIZATION
- Sign conflict of interest declaration noting that they have read the procedure for addressing a conflict of interest.
- Fill out Information Form. Return to ORGANIZATION with ...
- A recent resume
- Short Bio statement as you would want it included in grant applications, etc.
- Other _____

First Board Meeting: _____

The Do's and Don'ts of Board Recruitment

Developed by: Amanda Madorno <https://roamconsultingllc.com>

Do:

- Take seriously your responsibility to ensure the future leadership of your organization.
- Make recruitment a regular, on-going activity of the whole board.
- Seek the counsel and involvement of your key development staff in all recruitment activities.
- Ensure that the board conducts a self-evaluation, and reviews and updates the by-laws and board manual annually.
- Ensure that board policies (e.g., Conflict of Interest) are in place, up-to-date, and that you have directors and officer's insurance coverage.
- Be frank, honest, and positive about the challenges facing the organization.
- Adhere to the recruitment standards and selection criteria established by the board.
- Treat each board candidate as if they were a major gift prospect or donor. You'll never go wrong!
- Develop a personalized cultivation plan for each board candidate.
- Leave yourself and the candidate a gracious "out."
- Document recruitment activity and make it a permanent part of the candidate's donor or prospect file.
- Review the service of each board member annually and have a leadership plan in place for each.
- Remember to renew terms for current board members at the annual meeting.

Don't:

- Hurry up and ask, or wait until a crisis drives recruitment activity.
- Settle for less than who you really need and want.
- Misrepresent or sweep organizational challenges under the rug: they may be just the things to "hook" a board candidate.
- Ask the candidate prematurely.
- Ask in such a way that the candidate is a new board member: your work is just beginning.
- Think recruitment is a staff activity or responsibility.
- Recruit outside the board for officer positions!

Board Member Types

Like all categorization, the following will not apply to any specific board member. It is provided to prompt you to think about some of the characteristics common in each of these categories of board members.

Activist

- Usually attracted to and most effective in a new organization or one that is very grassroots
- Willingly devotes high energy and many volunteer hours.
- Personally very invested in the mission.
- Independent; may have little tolerance for rules, policies, and process.
- Likes a charismatic and dynamic leader.

Doer/Sustainer

- Most effective on a “hands-on” board
- Willing to do volunteer tasks as well as governance
- Committed and dependable.
- Likes to have a significant role on the board and in the organization
- Likes rules but not too much process.
- Likes a supportive leader.

Professional

- Usually attracted to, and most effective in, a mature organization.
- May be very results oriented and be interested in how the organization monitors performance.
- Will expect the organization to have good business practices in human resources and financial management
- May not understand the differences between corporate finance and nonprofit finances.
- Wants to know what is expected of them
- Does not like surprises.
- Likes a very professional strong leader.

Emeritus – the long serving board member

- Has served on the board for a long time
- Extremely loyal to the organization
- Serves as the board historian
- Has invested his or her name and reputation in the organization.
- May not want to bother much with rules or reports. Much more interested in tone, vision, and strategy.
- May have a strong personal relationship with the executive

A Founder

- As the sole founder or one of the founders, this person has a strong personal interest in the success of the organization.
- Often an activist who has been personally impacted by the issue the organization addresses
- May have difficulty turning over power to the board or executive...
- May leave the executive role as the organization matures but want to return as a board member in order to stay connected to the organization.

Volunteer

- Has history with the organization and relationships with staff and potential clients of the organization.
- May find board involvement not as satisfying as volunteering.
- May have difficulty moving from operations level to policy level involvement.
- Prefers specific tasks to long term responsibilities.

Donor

- Recruited because they are a donor.
- May be deferred to by other board members if they are a major donor.
- May have important connections they bring to the board.
- May have been a personal relationship with another board member or the ED.
- Unlikely to join if he/she does not have social/economic peers on the board.

Elected Official

- Comes to the board with their own constituency.
 - They may not be able to participate as consistently as other members.
 - Their credibility and visibility could help your organization but...
 - Some in the community may view them negatively.
 - Their participation level may be limited by their role.
 - May feel they owe little to other board members.
 - May have their own agenda and could be subject to lobbying by special interests.
 - Some will want high visibility; others will not.
-

Section 3: Board Policies

Board policies provide guidance to the executive or to the current and future boards about how important activities are handled by the board or the executive. Written policies help the board do its work more effectively, spending less time on process and discussion of redundant issues. Having written policies is also likely to help you attract high quality board members who expect the board to have defined how it does it work, how it evaluates the executive, and how risks such as conflicts of interest are handled in the organization.

Congress has asked the IRS to assume a monitoring role over the governance practices of nonprofits. The IRS now asked nonprofits to disclose whether they have several specific policies in place when they file their 990 tax forms.

We recommend you keep your bylaws to be very short and include elements that rarely change about the organization and the board structure. All the specifics about how the board does its work should be included in board operating policies. These policies will help new board members orient quickly to the board and help the board function more effectively.

Sample Board Operating Policies

Purpose

The role of the board is to assure that the organization is accomplishing its mission by developing policies that guide the operation of organization and by monitoring the finances of the organization. Board members also contribute to the organization accomplishing its purpose by being advocates for the organization, including soliciting financial support. A board member may also serve as a volunteer. In this role they report to the staff of the organization.

Membership of the Board

The purpose of a board member is to serve the board as a voting member. The Board is composed of members who bring diversity of skills and background to the organization, including but not limited to, ability to raise funds, contacts in the community, expertise, and demonstrated leadership in the skills needed to assist the Board in meeting its goals.

Role and Authority of Board Member and/or Board Officer

The Board focus is on governance of the organization, and it is accomplished through policies. Individual board members are not authorized to make a commitment on behalf of the board or the organization.

The role of the board is to:

- PLAN STRATEGICALLY toward the future
- ESTABLISH POLICY that guides _____ and articulates the values that frame future strategies

- EMPLOY AND SUPPORT a first rate executive
- ADVOCATE for and champion _____'s cause
- FUNDRAISE AND GENERATE REVENUE to ensure that _____ (the organization) is financed properly, now and in the future.

Responsibilities of a Board Member

- Determine _____'s Mission and Vision
- Select the executive
- Support the executive and review his or her performance
- Ensure effective organizational planning
- Track progress toward meeting the results defined by the strategic plan
- Provide for the availability of adequate resources
- Oversee the effective management of resources
- Approve and monitor _____'s programs and services
- Enhance _____'s public image
- Assess its own performance

Board Member Expectations

- Fulfill the roles and responsibilities of board members described above.
- Attend meetings. Attend at least 75% of all board meetings (in person or by phone.)
- Attend standing committee meeting if a member. Attend board retreats and other board development activities as appropriate.
- Review the agenda and supporting materials prior to board and committee meetings.
- Serve on committees and take on special assignments, as needed.
- Personally contribute to _____ or raise funds, as agreed upon annually by the board.
- Remain informed about _____'s mission, services, and policies.
- Promote _____ within the community.
- Keep up-to-date on issues pertaining to _____.
- Provide support and advice to the executive.
- Suggest nominees for board membership.

Board Member Code of Conduct

By accepting board membership a board member is committing to honor the following code of conduct:

- As a board member, I shall do my utmost to ensure that the _____ performs its mission and achieves its goals. As a board member I agree to:
- Act with honesty and integrity
- Support in a positive manner all actions taken by the board of directors even when I am in a minority position on such actions. I recognize that decisions of the board can be made only by a majority vote at a board meeting and respect the majority decisions of the board, while retaining the right to seek changes through ethical and constructive channels;

- Participate in (1) the annual strategic planning retreat, (2) board self-evaluation programs, and (3) board development workshops, seminars, and other educational events that enhance my skills as a board member.
- Keep confidential information confidential.
- Exercise my authority as a board member only when acting in a meeting with the full board or as I am delegated by the board.
- Work with and respect the opinions of my peers who serve this board, and leave my personal prejudices out of all board discussions.
- Always act for the good of the organization and represent the interests of all people served by the organization.
- Represent this organization in a positive and supportive manner at all times.
- Observe the parliamentary procedures and display courteous conduct in all board and committee meetings.
- Refrain from intruding on administrative issues that are the responsibility of management, except to monitor the results of the organization.
- Accept my responsibility for providing oversight of the financial condition of the organization.
- Avoid acting in a way that represents a conflict of interest between my position as a board member and my personal or professional life, even if those actions appear to provide a benefit for the organization. This includes using my position for the advantage of my friends and business associates. If such a conflict does arise, I will declare that conflict before the board and refrain from voting on matters in which I have conflict.
- Abide by these board operating procedures.

Process for Seating New Board Members (Check your by-laws)

The executive and one or two board members will meet with potential candidates for board membership. If the candidate is interested, they will be asked to fill out the application form and attend the next board meeting as an observer. A vote on membership may be brought up at that meeting, after the candidate has been asked to step out of the room, or may occur at the next board meeting.

Process for Selecting Board Officers (check your bylaws)

The board shall elect board officers each year at the annual meeting. Candidates for board office shall be proposed at a meeting of the board development committee. The candidates will be asked if they are willing to serve. The proposed slate of officers will be reviewed with all board members prior to the meeting in order to identify any objections to the slate of officers and give a member not nominated the opportunity to put their name forward.

Board Meeting Agenda

The regular meeting agenda is formatted to include a consent agenda, discussion items, action items and information items.

A request for information or questions about any agenda item should be made, if possible, at least one business day prior to the scheduled meeting to the executive.

Development of the agenda

The executive shall develop the board agenda. The board president or the vice president, in the president's absence, will review and approve the agenda.

Use of Consent Agenda

Routine items that require no discussion will be placed on the consent agenda. Examples of the items that may be placed on the consent agenda are:

- Routine financial information or updates
- Minutes of regular and special board meetings

Any member wishing to discuss an item on the consent agenda may ask that that item be pulled from the consent agenda and placed on the regular agenda so that there can be a full discussion of the item.

Conduct during Board Meetings

While the board will operate informally, formal action will be taken in accordance with the procedures in Robert's Rules of Order.

A board member may submit a request to the executive or board president that he/she wishes to have an item considered for placement on the agenda. Any such request shall be submitted in writing at least 15 days prior to the board meeting. The president shall ensure that all items requested by board members will be placed on an agenda at the next board meeting or, if this is not possible, within two regular meetings.

Discussion of motions

- All discussion shall be directed solely to the business under deliberation.
- The board president has the responsibility to keep the discussion to the motion at hand and shall halt discussion that does not apply to the business before the Board.

Voting Practices

The voting process will follow Robert's Rules of Order.

- A formal vote will be taken on any items identified on the agenda as "for decision" and any other items where the president, the executive, or a board member request a vote be taken.
- The board president shall have the right to discuss agenda items, to motions and resolutions, and vote on all matters coming before the Board.
- No member should vote on a motion in which he or she has a direct personal or pecuniary interest.
- Dissenting and abstaining votes shall be recorded in the minutes of the board meeting.

Closed Session

The board will act in closed session whenever the subject of the discussion is highly confidential or sensitive. The board shall have the option of asking staff as well as any observers to leave the meeting area during a closed session.

- Discussion will be only regarding the items on the closed session agenda
- Information discussed in closed session must remain confidential.

Request or Complaint by and Employee, Volunteer or Client

- All concerns or complaints made to an individual board member shall be referred to the executive for action. A board member or officer who receives a request or complaint from an employee other than the executive, a volunteer or a client shall follow the following process.
- The board member should hear the request/complaint for general understanding of persons involved, date and place.
- If necessary, repeat problem back to confirm understanding.
- As appropriate, suggest that the information be communicated directly to the executive.
- The board members should refrain from providing or expressing his/her opinion.
- In addition to informing the executive, a board member may inform the board president of the complaint.

Communications/ Media Inquires

- The executive will be the official spokesperson for _____ with the media, except that the board may designate or the executive may request that the board president or another board member may be the spokesperson, when appropriate.
- All board members who receive calls from the media should direct them to the executive or the designated spokesperson and should notify the executive and the designated spokesperson of the contact immediately.

Legal issues

- All communications with legal counsel shall be through the executive and/or the board president.
- The board shall have a conflict of interest policy and process for disclosure of conflict of interest. The board should monitor its adherence to the conflict of interest policy annually.

Evaluation of Executive

- The executive shall annually be evaluated by a minimum of two board members.
- The evaluation should be based on a performance agreement or board policies with measurable outcomes clearly established in advance of the evaluation period. The board president obtains input from all other members on board approved performance measures. The written evaluation report shall be reviewed with the executive prior to the report to the board. The executive shall have the right to submit a response or self-evaluation report to the board.

Board Self-Evaluation

- The board shall conduct a board self-evaluation annually using a survey, interviews, or other tools. The results of the self-evaluation should be prepared in written form and discussed with

the board. The board's responses and or decisions based on the self-evaluation will be summarized in the minutes

- Reviewing board operating procedures
- The board shall annually review and revise the board operating procedures, as needed.

Sample Board Policies for Questions Asked on the IRS 990 Forms

These policies can be used as the basis for developing your policies in each area the IRS asks about on the nonprofit tax forms (990's.)

- Conflicts of interest
- Document Retention Policy and Procedures
- Whistleblowers Policies and Procedures
- Private inurement

Donors may look at the organization's answers to these questions as an indicator of how organized and attentive the board of the organization is to its duties. While the policies and, in some cases, the forms that board members fill out are quite lengthy, these policies provide you with a thorough process and procedure for ensuring that the organization's policies conform to the IRS expectations.

Conflict of Interest

Intent

Conflict of interest arises whenever the personal or professional interests of a board member, the executive, or other management staff are potentially at odds with the best interests of the organization.

Potential conflicts are common. For example, a board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to [Name of Organization] the organization should avoid even the appearance of impropriety.

[Name of Organization] has taken the following steps:

- Language regarding conflict of interest is included in the board members' code of conduct, which limits business transactions with board members, the executive and management staff and requires a process for disclosure of potential conflicts. The policy requires board members to abstain from decisions that present a potential conflict.
- The organization has a disclosure procedure that a board member, the executive, or a consultant/volunteer may utilize to disclose any issue that may constitute a potential conflict of interest.
- The organization has a process for deciding whether a potential conflict is, in fact, a conflict.

- The executive will establish procedures, such as program policies, competitive bids, and formal hiring practices, which ensure that the organization is acting without any conflicts of interest.

[

Conflict of Interest Disclosure Procedures

I. Application of Policy

This policy is intended to supplement, but not replace, federal and state laws governing conflicts of interest applicable to nonprofit corporations. It applies to board members, the executive, and management staff, as well as their relatives and associates, and to who are hereinafter referred to as "interested parties."

II. Definition of Conflict of Interest

A conflict of interest may exist when the interests or concerns of an interested party may be seen as competing with the interests or concerns of [Name of Organization]. The variety of situations that raise conflict of interest concerns include, but are not limited to, the following:

A. Financial Interests - A conflict may exist where an interested party directly or indirectly benefits or profits as a result of a decision, policy or transaction made by [Name of Organization]. Examples include situations where:

- [Name of Organization] contracts to purchase/lease goods, services, or property from an interested party.
- [Name of Organization] offers employment to an interested party, other than a person who is already employed by [Name of Organization].
- An interested party uses their relationship with an [Name of Organization] client to obtain employment, a contract or other benefit.
- An interested party is provided use of the facilities, property, or services of [Name of Organization] in a manner that would not be available to other community members.
- [Name of Organization] adopts a policy that specifically creates a financial benefit to an interested party.

A financial interest is not necessarily a conflict of interest. A conflict of interest exists only when the board decides that a person with a financial interest has a conflict of interest.

B. Other Interests - A conflict also may exist where an interested party obtains a non-financial benefit or advantage that he/she would not have obtained absent his/her relationship with [Name of Organization]. Examples include where:

- An interested party seeks to make use of confidential information obtained from [Name of Organization] or an [Name of Organization] client for his/her own benefit (not necessarily financial).
- [Name of Organization] adopts a policy that provides a significant nonfinancial benefit to an interested party.

A conflict of interest exists only when the board of directors decides there is a conflict.

III. Disclosure of Potential Conflicts of Interest

An interested party is under a continuing obligation to disclose any potential conflict of interest as soon as it is known or reasonably should be known.

- Board members and the executive complete an Affirmation of Compliance form (Appendix B) when they join the board or staff and annually thereafter.
- Any interested party completes the Disclosure of Potential Conflict of Interest Statement (Appendix A) to disclose any potential conflicts of interest.

Disclosure Statements and Affirmations of Compliance will be submitted as follows:

- For board members, the disclosure statements will be provided to the board chair.
- The chair's disclosure statement shall be provided to the secretary of the board.
- In the case of staff and consultants/volunteers, the disclosure statements shall be provided to the executive.
- In the case of the executive, the disclosure statement shall be provided to the chair of the board.

The secretary of the board or the person designated by the board as the reviewing official is responsible for bringing potential conflicts to the attention of the board or the executive. The secretary of the board shall file copies of all disclosure statements with the official corporate records of [Name of Organization].

IV. Procedures for Review of Potential Conflicts

Whenever there is reason to believe that a potential conflict of interest exists between [Name of Organization] and a board member or the executive, the board shall determine the appropriate response. The designated reviewing official has a responsibility to bring a potential conflict of interest to the attention of the board for action at the next regular meeting of the board or during a special meeting called specifically to review the potential conflict of interest. [Name of Organization] shall refrain from acting until such time as the proposed action, policy or transaction has been approved by the disinterested members of the board.

Whenever there is reason to believe that a potential conflict of interest exists between [Name of Organization] and a consultant/volunteer, the executive shall determine the appropriate response. The executive shall report to the board chair the results of any review and the action taken. The chair shall determine whether any further board review or action is required.

V. Procedures for Addressing Conflicts of Interest

The following procedures shall apply:

- An interested party who has a potential conflict of interest with respect to a proposed action, policy or transaction of the corporation shall not participate in any way in, or be present during, the deliberations and decision-making vote of [Name of Organization]. However, the interested party shall have an opportunity to provide factual information about the proposed conflict and/or action, policy or transaction. Also, the board may request that the interested party be available to answer questions.
- The disinterested members of the board may approve the proposed action, policy or transaction upon finding that it is in the best interests of [Name of Organization]. The board shall consider whether the terms of the proposed action, transaction or policy are fair and reasonable to [Name of Organization] and whether it would be possible, with reasonable effort, to find a more advantageous arrangement with a disinterested party.
- Approval by the disinterested members of the board shall be by vote of a majority of directors in attendance at a meeting at which a quorum is present. An interested party shall not be counted for purposes of determining whether a quorum is present, or for purposes of determining what constitutes a majority vote of directors in attendance.
- The minutes of the meeting shall reflect that the conflict disclosure was made to the board, the vote taken and, where applicable, the abstention from voting and participation by the interested party. Whenever possible, the minutes should frame the decision of the board in such a way to provide guidance for consideration of future conflict of interest situations.

VI. Violations of Conflict of Interest Policy

If the board or executive (for consultants/volunteers) has reason to believe that an interested party has failed to disclose a potential conflict of interest, it shall inform the person of the basis for such belief and allow the person an opportunity to explain the alleged failure to disclose.

If the board or executive (for consultant/volunteers) decides that the interested party has in fact failed to disclose a possible conflict of interest, the board shall take such disciplinary and corrective action as the board shall determine.

Potential Conflict of Interest Disclosure Statement

Please complete the questionnaire below, indicating any potential conflicts of interest. If you answer "yes" to any of the questions, please provide a written description of the details of the specific action, policy or transaction in the space allowed. Attach additional sheets as needed.

A conflict may exist where an interested party directly or indirectly benefits or profits as a result of a decision, policy or transaction made by [Name of Organization]. The interested party would not have obtained this benefit were it not for his/her relationship with [Name of Organization].

- ☐ Has [Name of Organization] proposed to contract or contracted to purchase or lease goods, services, or property from you or from any of your relatives or associates?
- ☐ Board members/executive only: Has [Name of Organization] offered employment to you or to any of your relatives or associates?
- ☐ Have you used your relationship with [Name of Organization] to obtain a contract, employment for yourself or any of your relatives or associates, from a person or entity that does business with [Name of Organization]?
- ☐ Have you or any of your relatives been provided use of the facilities, property, or services of [Name of Organization] in a way that is not available to others who benefit from the organization's services?
- ☐ Have you, a relative or an associate been in a position to benefit financially from an action, policy or transaction made by [Name of Organization]?
- ☐ Other issues or situations not addressed above _____
- ☐ _____
- ☐ _____

Name (Please print)

Signature

Date

Conflict of Interest Affirmation of Compliance

I have received and carefully read the Conflict of Interest Policy for board members, the executive and managers. I have considered not only the literal expression of the policy, but also its intent. By signing this affirmation of compliance, I hereby affirm that I understand and agree to comply with the Conflict of Interest Policy. I further understand that [Name of Organization] is a nonprofit organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes without personal inurement or benefit by board members, consultants/volunteers or staff (other than by salary).

I hereby state that I do not have any conflict of interest, financial or otherwise that may be seen as competing with the interests of [Name of Organization], nor does any relative or associate have such a potential conflict of interest.

If any situation should arise in the future that I think may involve me in a conflict of interest, I will promptly and fully disclose in writing the circumstances to the chair of the board of directors or to the executive, as applicable.

I further certify that the information set forth in the Disclosure Statement and attachments, if any, is true and correct to the best of my knowledge, information and belief.

Name (Please print) _____

Signature _____ Date _____

Annual Review and Reaffirmation

Signature _____ Date _____

Signature _____ Date _____

Signature _____ Date _____

Document/Electronic Record Retention Policy and Procedures

Background

Federal and state laws require the retention of certain documents and electronic records. Nonprofit organizations should have a written retention policy. The board is responsible for assuring that the organization is properly securing and retaining documents and electronic records in accordance with the organization's policy and retention schedule.

The table provided below shows the *minimum retention time*. Retention should be governed by the statute of limitations in your state that sets out the time period that a potential claimant has to bring a claim as well as requirements set out in contracts and agreements.

Note that nonprofits serving minor children may need to retain records relating to minor children at least until the child reaches majority age, plus the time allowed by the state statute of limitations for the child-now-adult to bring a claim against the nonprofit.

Policy

Purpose: A document retention policy generally sets out the length of time documents and electronic records should be retained. The document and electronic records retention policy sets guidelines to assure the board of directors' fulfillment of the duty of care.

Policy: The executive must ensure compliance with these policies. Administrative and financial records are provided in a safe, secure, and confidential manner. Depending upon the type of record, the appropriate length of time for retention complies with legal and funder requirements. Records relevant to foreseeable or pending judicial or administrative investigations or proceedings are preserved until the actions are concluded.

At least annually, physical document and files are transferred from active files to inactive storage, and retention dates are noted on the files. Confidential files are clearly designated as such. Documents in storage are placed in a fire resistant, secure, dry place and electronic records are securely stored with redundant backups available. Un-shredded Documents will not be placed in dumpsters.

All electronic files are backed up daily with redundant backups or are stored in secure location in the cloud. The retention periods for electronic files are consistent with those for physical records.

Retention periods

The following table provides minimum retention requirements. This information is provided as guidance in determining your organization's document retention policy. The organization should carefully evaluate the specific needs of your organization.

Current information on all of the following should be maintained. In addition, the records should be retained for at least the time period indicated below:

Minimum Time Period for Document/Information Retention	
Type of Document	Minimum Retention Period
Accounting / Finance	
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank reconciliations	3 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Expense analyses/expense distribution schedules	7 years
Depreciation schedules	Permanently
Duplicate deposit slips	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Year-end financial statements	Permanently
Emails/Correspondence	
Correspondence (general)	3 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	3 years
Human Resources	
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Employment applications	3 years
Timesheets	7 years
Insurance Records	
Insurance policies, records, current accident reports, claims, etc.	Permanently
Insurance policies (expired)	3 years
Legal	
Board policies and resolutions	Permanently
Bylaws and articles of incorporation, including amendments, revisions	Permanently
Copyrights	Permanently

Contracts, notes, and leases	7 years
IRS application for tax-exempt status (Form 1023)	Permanently
IRS determination letter and correspondence related to it	Permanently
Real estate deeds, mortgages, and bills of sale	Permanently
Minutes from board and committee meetings	Permanently
Minutes from annual meetings of members	Permanently
Patents and related papers	Permanently
Trademark registrations	Permanently
Tax	
Withholding tax statements	7 years
Tax returns and worksheets (all jurisdictions)	Permanently

Whistleblower Policy & Procedures

Policy:

[Name of Organization] encourages employees, volunteers and others related to the organization to report any violation of policy, procedure, or ethics; illegal activity; or other misconduct by employees, volunteers, or others related to the organization. No person who in good faith reports a violation shall suffer harassment, retaliation or adverse employment consequence. An employee, board member, or volunteer who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

Procedures:

Reports can be made directly to the executive, board chair or vice chair. To the extent that the activity or misconduct involves the executive, the report should be made directly to the board chair or vice chair.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

The recipient of a complaint will notify the sender and acknowledge receipt of the reported violation or misconduct within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Private Inurement Policy

Introduction

Non-profit charitable, religious, and educational organizations obtain their tax-exempt status under the theory that they perform valuable services for society and lessen the burdens of government. If a tax-exempt organization allows its money or other property to be used for private rather than public gain (i.e., for "private inurement" or "private benefit"), then it risks losing its exemption. In addition, under recently adopted "intermediate sanctions" provisions of the Internal Revenue Code, "disqualified persons" such as CEOs, CFOs, board members, major donors doing work for the exempt organization, etc., who receive "excess benefits" are subject to an excise tax ranging from 25% to 200%, depending on the circumstances. Furthermore, any organizational manager who knowingly facilitates such an excess benefit is subject to a 10% tax.

What is Private Inurement or Private Benefit?

"Private inurement" is the payment or diversion of an exempt organization's assets to its officers, directors, employees, relatives, friends, major donors, or others in a special relationship to the organization who can influence or control the policy or the day-to-day activities of the organization for less than full and adequate consideration.

Private inurement also extends to the use of organizational assets for "private benefits" such as sales, leasing, construction contracts, service transactions, etc., at other than fair market value or the exploitation of the exempt organization for the benefit of a private business (e.g., "sweetheart deals," promotional schemes, and/or giveaways to private individuals or businesses).

Policy:

The purpose of this private inurements policy is to ensure that [Name of Organization] is fulfilling its responsibilities to act as a competent and trustworthy steward of its resources and is behaving in a way that is consistent with the following IRS requirement:

A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization.

To avoid the conferment of material private inurements or benefits in the types of transactions described above, the organization will enter into transactions solely to benefit the charitable purposes of the organization, rather than for a private party's benefit. The organization will exercise due diligence to ensure that any proposed transaction is fair and reasonable. This means

that the organization could not have obtained a more advantageous arrangement with reasonable effort.

The organization will ensure that the intent of this policy is carried out by:

- Screening proposed transactions through the applicable boards, advisory boards, and committees, and other processes set out in the organization's procedures
 - Taking care that organizational policies and procedures pertaining to the signing of contracts are followed. (For example, the board may require contracts in excess of a certain amount or duration to be executed by the board rather than the executive.)
 - Putting in place additional procedures that may apply in connection with contract bids for building construction, renovation and repair projects.
-

Section 4: Resources

Board Development

<http://www.boarddevelopment.org/>

A program of United Way of Canada - Centraide Canada, this site offers an abundance of good practices in governance and includes checklists, forms, documents, and tools.

Boardnet USA

www.boardnetusa.org/public/home.asp

Boardnet USA connects people looking for board positions with organizations looking for board members. The site enables boards to reach people they normally wouldn't have connections to in order to strengthen their boards, and offers a way for people to find potential organizations on which to serve as board members.

BoardSource

<http://www.boardsource.org>

The website provides solutions, leadership tips, and governance information about board-related issues such as accountability and transparency to increase board capacity. While membership is not free, certain articles and essential research data can be downloaded at no charge.

Board Café

www.boardcafe.org

[The Nonprofit Manager's Library](#) includes a section on [boards of directors](#). Visitors can view sample job descriptions for board members, guidelines for recruiting members, and so on.

The Nonprofit Good Practice Guide, which provides more than 7,000 tips and resources organized into ten topic areas, has a [section on nonprofit board governance](#).

Independent Sector

<http://www.independentsector.org/accountability>