



**THE HUD PARTNERSHIP CENTER'S CAPACITY  
BUILDING WORKSHOP SERIES: ORGANIZATIONAL  
DEVELOPMENT MODULE**

**U.S. Department of Housing and Urban Development  
Office of Faith Based and Neighborhood Partnerships**

## ORGANIZATIONAL DEVELOPMENT

### The 501(c)(3) Organization and Fundamentals for Nonprofit Boards

If you have an existing organization that wants to begin providing a program or community service (for example - a church that wishes to operate a day care) you should look at establishing a separate legal entity to conduct the program. This protects both organization

from liability and offers some distance between the founding organization and the new service delivery organization.

#### Does My Organization Need A 501(c)(3) Designation?

- Yes
- Establishes protective layer between your church, mosque, temple and the *legal responsibilities* associated with provision of social services.

The form of nonprofit most are familiar with is the nonprofit corporation. The difference is listed on the adjacent slide.

If you plan to have your organization meet an ongoing community need, or provide a long term service, you should incorporate by filing papers in your state.

One major benefit for obtaining 501(c)(3) status by the IRS is that it may enable you to operate with a tax-exempt status. To qualify you must serve a need that is religious, educational, charitable, scientific or literary in nature. If the IRS grants 501(c)(3) status to your nonprofit, it will send you a determination letter. But, be sure to keep the

designation secure with our records. Note that all nonprofits must pay employment taxes.

Depending on the nature of the mission of your non-profit, it might also be granted tax-deductible (or charitable) status. Tax deductible means that people can deduct their contributions to your organization's from their federal tax obligation (and sometimes state taxes are also affected.) Tax deductible status is usually granted to nonprofits that serve needs in regard to: the arts, charitable, civic affairs, education, the environment, health and social services,

#### Formal Nonprofit Corporations

Incorporate as a separate, legal entity.

Benefits of incorporation include:

- Own property and bank account
- Enter into contracts
- Continue as an organization after founders are no longer involved
- Conduct tax exempt activities
- Be eligible for tax deductible donations
- Conduct operations for which personal liability is limited

#### What is a Nonprofit Organization Anyway? A good way to look at a nonprofit is to compare it to a for-profit organization.

##### For-Profit Corporations

Owned by stockholders  
Generate money for the owners  
Success is making a sizable profit

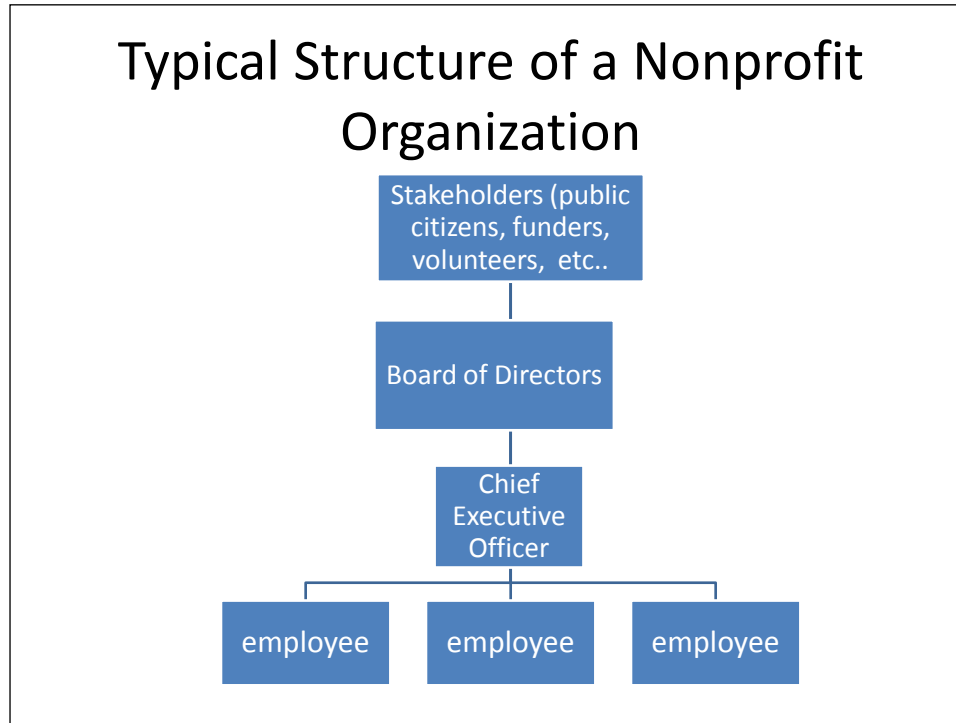
Board members are generally paid  
Money earned over and above expenses is kept as profit and distributed to owners  
Usually not exempt from paying federal, state and/or local taxes

##### Nonprofit Corporations

Owned by the public  
Serve the public  
Success if meeting the needs of the public

Board members are unpaid volunteers  
Money earned over and above expenses is retained and spent on meeting public need  
Can often be exempt from federal taxes and some other state/local taxes

literary, scientific and religious matters.



A small nonprofit might have a part-time or full time CEO, either as a paid or volunteer position. If the nonprofit has staff other than the CEO, then the CEO supervises the other staff members who also might be PT or FT staff and in paid or volunteer positions. The CEO reports to the Board of Directors comprised of volunteers, and the Board members

supervise the CEO. Further information on Board responsibilities is provided later in this section.

- The heart of the matter is leadership and management. At the heart of a successful nonprofit are an effective CEO and Board of Directors. They must work as a team with vision, skill, and sufficient resources to accomplish the organization's mission. While leadership is shared, management rests with the CEO. The Board is responsible for assessing the work of the CEO and assist in strategic decision making.
- Values are the bottom line. Values are the driving force in a nonprofit. The bottom line is the moving to accomplish the mission of the organization. This can be difficult for some organizations to deal with. Deciding on with programs to offer, what priorities are most important, how to maintain and retain staff? All of these are questions the organization will face.

### Unique Culture of Traditional Small Nonprofits\*

- **The heart of the matter is leadership and management**
- **Values are the bottom line**
- **Nonprofit personnel are often diverse**
- **Problems are often complex for small nonprofits**
- **Inadequate funds to pay for experienced leadership**

- Nonprofit personnel are often diverse. Diversity is reflected not only through different races and ethnic groups, but also by different values and perspectives. Nonprofits benefit from this

diversity but it must be managed in a way to cultivate the exchange of ideas and be open to a wide variety of perspectives.

- Most small nonprofits have small staff and small budgets (\$500,000 or less.) This compounds the problems they face, especially given their charters and the magnitude of community needs that they deal with.
- Lack of funds to pay for and retain experienced leadership will always be a challenge for a new or small nonprofit. Often hard work with little career development opportunity encourages

### Unique Culture of Traditional Small Nonprofits continued..\*

- **Lack of managerial training is problematic for small nonprofits**
- **Chief Executives wear too many hats**
- **Nonprofit is too small to justify or pay for expensive outside advice**
- **Building internal capacity is time consuming**
- **Nonprofits continue to need low-cost management and technical assistance**

*\*Adapted from Sandra Larson, previous Executive Director of the Management Assistance Program for Nonprofits, St. Paul and cited in "Field Guide to developing and Operating Your Nonprofit Board of Directors" by Carter McNamara, published by Authenticity Consulting, LLC.*

turnover. Once experienced, retaining CEO's and highly skilled staff can be difficult.

- Lack of managerial training can cause agencies difficulties. Many nonprofit managers rise through the ranks of the organization and can often have high levels of technical skills. These same individuals many not have the management skills to run an entire operation. Training and consultation with other leaders and managers can aid new manager's transition more effectively into leadership.

- The CEO of a small NP often needs to be an expert in planning,

marketing, information management, telecommunications, property management, personnel, finance, fundraising program design and evaluation. Often small organizations will need to seek outside assistance from other experts and specialist from time to time to perform some functions that the CEO cannot handle.

- Nonprofits may hesitate spending money for outside experts or consultants. This can be seen as diverting valuable dollars away from direct services. Low-cost volunteer based assistance can be an option for organizations in need of professional assistance.
- Building internal capacity will take time. Repeatedly seeking help from outside experts is not a sign of failure, but rather it is a sign of growth – a new "need to know" has surfaced.
- Nonprofits provide valuable community assets and they must be effectively managed. There will always need to reach out to community experts who can assist with them as they grow and mature. Community partners who can assist with; training of personnel, sustainability, board development, fundraising, and program design will be invaluable to an organization seeking long term viability.

## Is My Organization Prepared?

Is my organization **READY** to respond to a community need?

- **Conduct a market analysis to find out if your clients really need YOUR services.**
- **Are current nonprofits already addressing the public need?**
- **Look at all options, including fiscal sponsorships before starting a new organization.**

Are you sure the need that you perceive in the community is real? If no other nonprofit is addressing the needs you see, is there an underlying reason? Make sure you perform upfront homework to test whether the program or services you plan to offer are truly needed by your target group and that such resources will be utilized.

Are current nonprofits already addressing public need? If you are the very beginning of organization development think carefully before starting a nonprofit to meet a need that is

already being met by another agency. If you do, you will be competing with existing organizations for clients and resources. You would be advised to collaborate with existing organizations to address the needs of the target population you plan to serve.

Fiscal sponsorships mean that you would not create a formal chartered organization as a corporation and go through the steps of setting up the organization. Instead, you could operate your program as a program under a sponsoring organization. The sponsoring nonprofit could provide administrative support for your program such as sharing its tax exempt and tax deductible status.



you would not create a formal corporation and go through the steps of setting up the organization. Instead, you could operate your program as a program under a sponsoring organization. The sponsoring nonprofit could provide administrative support for your program such as sharing its tax exempt and tax deductible status.

There are other sections in this workbook that addresses strategic planning and fiscal management.

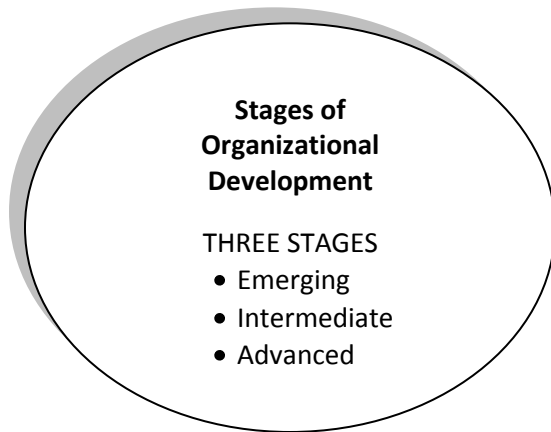
this workbook that addresses management.

Having a strong business model is essential for ensuring you will be successful in conducting your day to day operations. There are many ways to obtain advise on creating a business plan. You should contact your local SBA office to see what they might have to offer. In addition there are references and resources in this workbook.

## Is My Organization Prepared?

Has my organization **SET** foundational pieces in place?

- **Have you conducted a strategic planning session?**
- **Do you have a structure for program evaluation?**
- **Are you fiscally sound?**
- **Have you addressed the strength of your board and is it strong and operating well?**



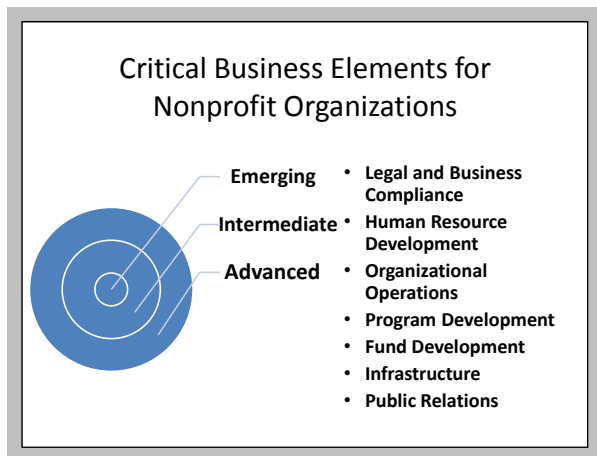
**Stages of Development**

An organization’s stage of development is determined by the work *completed* in getting organization established.

- Includes, not limited to; state charter, 501(c)(3) designation, business policies, strategic plan, etc.

You will be able to know if your organization is emerging, intermediate or advanced by looking at what has been accomplished by your nonprofit.

The length of time you have been in business does not necessarily reflect what stage you are in. If you have been an organization that simply holds meetings for networking purposes, you may not have taken on program development or even had the organization fully chartered. The work completed determines where you are.



We previously discussed the incorporation of your nonprofit. In addition, there needs to be a clear vision, mission and values that guide the organization and forms the basis for deciding what activities it will sponsor.

The Mission Statement describes the overall purpose of the organization. The vision is the ultimate result

of your work and the values are the core beliefs that guide the actions taken.

Intermediate Organizations conduct on-going Board training and Advanced Organizations ensure assessments of the Board are conducted annually or on a regular basis.

**A. Legal And Business Compliance**

- (E) State and Federal incorporation  
Board member identification  
Vision, mission, values
- (I) Annual reporting requirements  
Board Training
- (A) Annual assessments  
Functioning board

## B. Human Resource Development

- (E) Board Training, initial staff needs identified
- (I) Critical staff hired – Employee policy and procedures drafted – Job descriptions developed
- (A) Staff training and retention planning

director can be working with the board to draft the plans and seek the necessary resources to begin offering services to the target population.

- Advanced Organizations have an established plan to hire, train and retain employees. Personnel policies and job descriptions are fully developed.

- Emerging Organizations conduct training for their board. We will discuss aspects of creating and sustaining a well functioning board in the final section of this training.

- Once established an organization seeks to gather sufficient resources to hire a paid director who can bring the nonprofit into another level. Once on board, the

## C. Organizational Operations

- (E) Orientation to strategic planning  
Orientation to management systems
- (I) (A) Written strategic plan  
Establish(ed) management systems

Emerging nonprofits should undertake strategic planning early on. Strategic planning identifies where the organization is and how it will get to the next stage of development. It helps organizations create a clear path to following and makes all stakeholders aware of the strengths and weaknesses of the organization.

## D. Program Development

- (E) Orientation to:
  - program development
  - Partnerships
  - collaborative relationships
- (I) Identify 1-2 programs to implement
  - Develop *outcome* program evaluations
- (A) Program implementation
  - Integration of evaluation standards into program design

Intermediate organizations should work to draft a written strategic plan and utilize it for planning the actions and steps they take as they conduct their work.

Advanced organizations use their plans to guide their activities and have an established process for updating their plans on an as needed basis.

Nonprofit organizations are driven to perform a service to meet a perceived community need. Having a well organized program is critical for ensuring the work done will meet expectations.

Emerging organizations need to figure out how to conduct their basic program. The who, what, where and how of the service delivery system needs to be defined. What partnerships need to be established to make the program function well and what collaborations are needed to leverage resources need to be identified.

Intermediate organizations are actually able to put their plan into action and one or two programs begin operation. It is critical at this step to ensure there is a good evaluation strategy in place so that the results of the program can be documented.

### **E. Fund Development**

- (E) Sustainability planning
  - Fund raising (non-grant revenue)
- (I) Development of organizational funding plan
  - Integration of evaluation standards into acquiring them
  - Familiar with donor policies/needs to acknowledge
- (A) Implement fund raising plan
  - Develop internal development personnel
  - Implement donor policies

Advanced organizations use the evaluation information to assess what is and is not working in their program. They then adjust their services to make them more effective.

From the very beginning organization must plan for their survival.

If there is no plan for financial sustainability, the organization will not remain viable overtime.

1. Must begin by comprehensively researching all organizations that provide funding for the work the organization plans to initiate early on and initiate as it develops.

2. Part of the plan to secure funding must also plan to acknowledge funding received from donors.  
-Do they want publicity and do they want to receive periodic reports?

### **F. Infrastructure**

- (E) Identify physical office needs
- (I) Establishment of fully functioning office
  - purchase equipment
- (A) Prepare for growth and expansion

Emerging organizations often have little assets and often partner with other organizations that are willing to share space and resources.

Once established and functioning, a nonprofit is better able to judge how and where it can develop its physical capacity to conduct its activities.

In time, as a nonprofit enters the advanced stage, it will assess space needs to determine when

space and system upgrades are necessary in order to perform its work and serve its constituents.

### **G. Public Relations**

- (E) Introduction to organizational marketing
- (I) Development of a PR plan
- (A) Implementation of PR plan



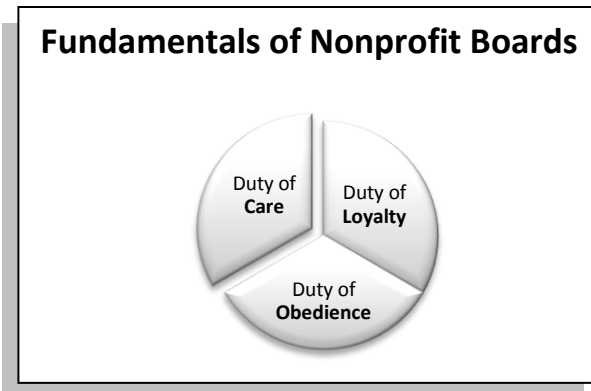
Emerging organizations often do not realize how important it is to market their program. It can be difficult to “get the word out” and members of the board should assist in getting the work of the organization “positive press”

As programs begin to produce results,



the information should be used to promote the effectiveness of the nonprofit to meet a community need. Intermediate organizations establish a plan for promoting the work of the nonprofit. Increasing public exposure can also serve to increase financial support for the nonprofit.

Advanced Organizations are generally well recognized by the community and have an established PR plan that keeps its services in the public eye.



## The Fundamentals of Nonprofit Boards

Board Members, act as trustees to the organization, they are its stewards. A good steward attends to what is truly important for the good of their families and society. The duties of care, loyalty and obedience are the foundation

blocks of good stewardship.

**Duty of Care** – The obligation to exercise the care and skill that persons of ordinary prudence would exercise in dealing with their own property. They are to be attentive to details and regard the impact of their actions on others.

**The Duty of Loyalty** – Act with sole concern for the benefit of those the organization was founded to serve. It creates an onus on board members to avoid conflicts of interest and any actions that are, or could be construed as, producing some personal benefit as a result of action taken as a board member.

**The Duty of Obedience** board members are to be obedient to the mission, by assuring that the mission is carried out faithfully as expressed in the legal documents creating the organization. Ensure the organizations resources are used to achieve the public good, in accordance with the mission.

### Functions of a Board

**Leadership** – Creating a community impact

**Legal oversight** – Meeting legal obligations

**Operational oversight** – Work is being done ethically, legally, and effectively in all areas

**Board mechanics** – Day to day work required for the board (recruitment, policy setting, etc.)

Functions of a board concern leadership and oversight of the legal and operations of the organization.

Leadership is about creating end results on behalf of communities served by the organization. Leadership comes closest to governance – leading, guiding, making decisions on behalf of others..

The other functions are about the means with which the organization does its work.

### What is a Board?

- Legally responsible governing body
- Establishes mission, vision, strategic plan and operating policies
- Power of the Board is vested in all members, not individuals

All incorporated organizations must have boards

A board is legally charged with the responsibility to govern, or oversee, a corporation, whether for profit or not for profit.

The board establishes the plans and provides resources.

The Chief Executive Officer manages the resources to implement the plans, and the staff implements the plans.

The power of the board is vested in all Board Members, not individual members.

## Assessing the Board's Growth

	Stage 1	Stage 2	Stage 3
	<b>Emerging</b>	<b>Intermediate</b>	<b>Advanced</b>
<b>Style</b>	<b>Informal</b>	<b>Formal rules of operation &amp; conduct</b>	<b>Structured &amp; scheduled annual plan of board work</b>
<b>Activities</b>	<b>Organizing, creating structure, advocacy, member &amp; support acquisition</b>	<b>Networking, acquiring community credibility, structuring services, developing revenue sources &amp; profile of services</b>	<b>Strategic planning, structured oversight &amp; activity monitoring; plans for further growth, board assessment &amp; board development</b>
<b>Systems</b>	<b>Reactions, responds to ongoing developments changes plans as dictated</b>	<b>Operating standards &amp; reporting of costs, revenue &amp; services results</b>	<b>Comparative reports of revenue, expenses investments results &amp; service results over time</b>

This is a recap of some of the information we previously discussed.

As with any “Tope ten Lists” the board of a Nonprofit has ten key responsibilities.

## Overall Board Responsibilities

10. Determine the organization’s mission and purpose.
9. Govern the organization by broad policies and objectives.
8. Select, appoint, support and evaluate a Chief Executive Officer
7. Ensure effective organization planning.
6. Ensure adequate resources
5. Manage resources effectively.
4. Determine and monitor the organization’s programs and services.
3. Enhance the organization’s public image.
2. Serve as a court of appeal.
1. Assess the Board’s performance.



The duties of a Board are to:

- Provide continuity for the organization
- Select, appoint and evaluate the Chief Executive Officer
- Govern the organization
- Aid in acquiring sufficient resources for the organization’s operations
- Account to the public

## Board Member Responsibilities

- Actively Participate in all Board Operations
- Actively Monitor Organization’s Performance
- Ensure all Legal Requirements are Met
- Represent the Organization
- Fundraising – “The 3 G’s”



A Board Members responsibility is listed to the left.

The “3 G’s” refer to

Give money

Get money

or

Get off the Board!

## Board Member Job Descriptions

- Board Member
- Board Chair
- Vice Chair
- Committee Chair
- Secretary
- Treasurer

See  
*Board job descriptions*



Staff cannot function if every move they make is questioned by the Board. The Board is there to ensure operations are going forward. True accountability is proactive and preventative, micromanagement is reactive and fear based.

### Do Not Solicit For New Members If Your Board Is Not Ready.

**The board is accountable for the organization. If the organization is not effective, or is failing in some way, new members may not be the answer to the problem.**

Adding new members does not fix a board facing problems, such as conflicts or poor

attendance; it just adds more people to the mix.

### ***An organization is “unready to recruit if:***

- Micromanagement by Board
- Dysfunctional Board
- No established Board Giving Policy
- Board/Staff relations are in trouble
- CEO is the main Recruiter
- Organizational Planning is lacking
- No written/practiced Board Policies
- No Board training / Orientations programs
- No recruitment Criteria or Process

Board Giving – if you have no policy requiring board members to donate to the organization to the Best of Their means, you are not ready for new members to join. This is not necessarily purely a fundraising issue; it is a “living by example” issue. A giving policy will let potential members know what is expected of them.

Problems between staff and the board can be systems of larger issues that need to be

addressed before more people are added.

- If your CEO recruits your Board members, you are not ready. Do you really want your CEO picking his or her boss?
- If your organization does not have a plan on how its work will impact the community, and plans for how it will ensure it has the capacity to create that impact, you are not ready.
- If you do not use your bylaws or board policies to guide the boards work, you should hold off on recruitment.

- Orientation is more than a walk through the facility and being handed a book. If you do not a an orientation process you are not ready to add new people.
- Warm blood and a pulse are NOT the requirements for a board member!

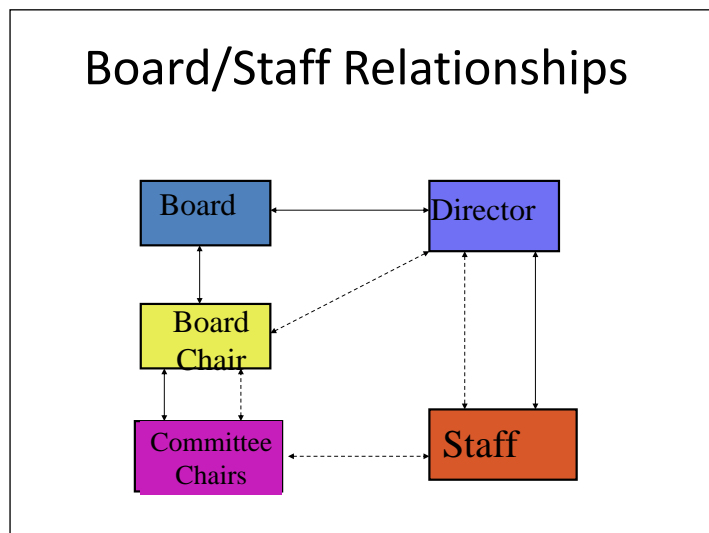
One of the few ways to identify and address the problem is for the board to conduct a self-evaluation.

A Board should evaluate itself once a year, whether there are apparent major problems or not. Members contribute a great deal of time, energy and expertise to the workings of their Board. They deserve to know how they are doing overall. Besides, it's a little hypocritical for Board members to evaluate the CEO and programs without evaluating the Board itself.

Board evaluation need not take substantial time and energy. You can use the table provided in the exercise with an organization. The table provided a rather basic form for board evaluation. But, if the evaluation is conducted wholeheartedly, the form should indicate how the Board is generally conducting its role.

Each member and CEO, if applicable, should complete the evaluation about four weeks before a Board retreat or an established due date.

Ideally, someone from outside the organization receives the assessments forms, collates the results and writes a report indicating the number of respondents and the overall ratings for each category. Comments provided by participants can be included if they are confidential.



Early on in the life of a nonprofit, the Board might do much of the work that staff would be doing in a more mature organization such as managing facilities or serving clients. As the organization grows, paid staff replaces board members in serving customers.

During this time there can be confusion as to who should do what. It is important therefore to establish policies that clearly communicate what the nonprofit expects the Board to be doing and the staff to be

doing.

Board members must know and perform their roles and responsibilities and the CEO and Staff should know what the Board Roles and responsibilities are well. The Board, CEO and staff should engage in yearly strategic planning. It is a given that Board members should have regular Board meetings

## Relationships & Coordination

### Board, CEO & Staff

- Board Administration & Support
- Program, Product & Service Delivery
- Financial, Tax, Risk & Facilities Management
- Human Resource Management
- Community & Public Relations
- Fundraising



CEO and Board Chair design agenda for Board meeting, and the agenda should be sent to members in advance of the meeting. The CEO should provide a regular, written report to Board members on the status of the organization.

The CEO and Board Chair should have a strong, ongoing, working relationship. Boards should conduct at least yearly, formal evaluations of CEO. A Board

should conduct, at least yearly, its own evaluation. There should be clear Board policies regarding roles and coordination of Board and staff. The staff should be allowed to make occasional presentations at Board meetings. Finally there should be an annual celebration of the organization's accomplishments with Board members and staff.

Articles of Incorporation give the Board its legal authority.

The By-Laws is the "Rule book" that guides the board in its "transactions". Non-adherence can result in legal implications for the board as a whole or individually

Board Policies and Procedures are in writing and adopted by the Board.

Always maintain a book of Board Resolutions.

Prepare a Board Members Handbook that includes the Governance documents and, at least:

- Board position descriptions
- Organization chart with names of key individuals
- Board member contact list
- List of board committees, their purpose and current mandates.
- Annual report and most recent financial audit
- Annual operating budget
- Annual board plan of work or calendar of meetings
- Strategic plan

## How Boards Conduct Business

### Governance Documents

- By-laws
- Articles
- Board Policies & Procedures
- Board Resolutions
- Board Handbook

## Board Committees

- Utilize Board Members' Expertise
- Established for complex or numerous issues
- Set permanent committees for ongoing activities and ad hoc for short-term activities
- Recommendation to Board for approval
- Is not a decision-making body
- Hold scheduled and recorded meetings

## Board Committees

1. Committees take full advantage of Boards member's expertise.
2. Establish committees when it's apparent that issues are too complex and/or numerous
3. For ongoing, major activities establish standing or permanent committees; for short-term activities, establish ad hoc committees.
4. Committees recommend policy for approval by the entire Board.
5. They do not supplant responsibility of each Board member.
6. Committees may meet monthly, two months, or every three months.
7. Minutes should be recorded for all Board meetings and for Executive Committee meetings.

## Typical Committees

- Executive
- Board Development or Governance Committee with Nominating Committee
- Finance
- Personnel
- Programs & Evaluation
- Public Relations & Marketing
- Fundraising
- Ad hoc

## Typical Committees:

Executive – oversees operations of the Board: often acts on behalf of the Board during on-demand activities that occur between meetings, and these acts are later presented for full Board for review; comprised of the Board Chair, other officers or committee chairs, often provides evaluations of the chief executive.

Governance Committee – ensures effective processes, structures and roles; plans the retreat,

sometimes includes role of nominating committee, keeps a list of potential board members, training opportunities and evaluates the Board.

Finance – Oversees development of the Budget, ensures accurate tracking/monitoring/accountability for funds; ensures proper financial controls; often led by Board Treasurer, reviews major grants and associated terms.

Personnel – Guides development, review and authorization of personnel policies and procedures; sometimes leads the evaluation of the chief executive, can sometimes assist with leadership or development matters.

Programs / Evaluations: Guides development of services delivery mechanisms; may include the evaluation of services; link between board and staff on program activities. Ensures programs and services are evaluated and produce desired outcomes based on established goals. Helps adjust programs so they perform at an optimum level.

Public Relations and Marketing – Oversees the organizations marketing plan, including identifying potential markets, their needs, how the organization can meet identified needs. It can represent the organization to the community; enhances the organization’s image, including communications with the press.

Fundraising – Oversees development of the Fundraising Plan; identifies and solicits funds from external sources of support, works with the development Officer (if available) sometimes referred to as the Development Committee.

AD HOC – established to accomplish a specific goal and then cease to exist. Ex ethics committee, compensation, nominations, campaign, etc.

### **Organizing Committees:**

**Board committees are often organized in order to focus Board expertise on specific strategic goals.** Delegating to a committee requires a Board to assign a group (or individual) to achieve a certain result by a certain date, but it leaves it up to the group how to achieve the result.

1. Ensure the committee has a specific charge or set of tasks to address
2. Have at least two Board members on each committee
3. Do not have a member serve on more than two committees at a given time
4. In each Board meeting, have each committee Chair report on the committee’s work
5. Consider having non-board volunteers as members
6. Consider having staff serve on a committee
7. Chairs are often appointed by the Board Chair
8. If committees are working effectively, consider staggering Board member meetings with Committee meetings

## Organizing Committees

- **Guidelines for organizing committees**
- **Chartering/delegating committees**





## Chartering Committees

1. Board meeting minutes should record Board's decision to charter (establish) a committee.
2. Establish a Charter (Document) for members of a committee.
  - Intent of the committee
  - Summary as to why the committee was formed
  - Is it a standing or ad-hoc committee
  - List desired outcomes, activities and timeframes
  - Specify available resources
  - Outline any boundaries within which the committee should work.
  - Specify how committee is to coordinate with the Board
  - Specify terms of leadership and names of committee members.
  - What are the indicators of success for the Board?
  - Monitor Committee progress and performance.

## Meeting Organization

### Agenda

- Sufficient notice with background
- Lists items for discussion
- Date, time, place
- Include prepared resolutions



### Agenda

- Provides the place, date and time
- Lists the business items to be discussed and or voted on, the sequence of items and who is responsible for presentation of each
  - Resolutions prepared for vote prior to the meeting should be appended.
  - Agenda provided to Board members at least two weeks prior to the meeting

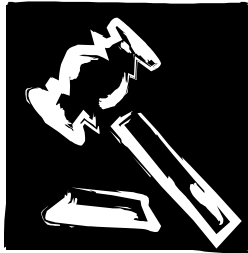
- Background materials provided to members at least one week before meeting.

In decision making remember “the board is a team”. There is a common goal which is explicit and

shared. There needs to be agreement to put team agenda ahead of personal agenda. There is a commitment to team to identify (and the organization rises or fails on team results.) members should be willing to sacrifice for the team’s benefit and there should be a willingness to share credit.

## Decision Making

- **Board as a Team**
- **Team Member Roles & Responsibilities**
- **Parliamentary Procedures**
- **Resolving Team Conflicts**



## Roberts Rules of Order

Parliamentary procedures and information on Roberts Rules of Order can be viewed at the following website.

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

Roberts Rules are used for conducting meetings and include:

- **Calling a meeting to order**
- **Making a motion**
- **Calling the question**
- **Adjourning the meeting**

Complete the group exercise.

## Discussion Group

### Exercise

Topic # 1 Chairperson as facilitator

Topic # 2 Stewardship

Topic # 3 Ethics and Conflicts of Interest



### Group Exercise

Consider the following situations and questions for thought. Please be prepared to have one member of your group report out three major observations or suggestions.

#### Topic #1 Chairperson as Facilitator

At a Board meeting a motion is made to allocate money to a sister organization's community event. The organization has a tradition of contributing to similar events. The Board needs to make a quick decision; any money is available this year for the

allocation. Both new and experienced Board members are present at the meeting. Several opinions are presented regarding whether to provide funds for this event. Further, even members that are in favor of funding differ as to the appropriate dollar amount. The discussion is now out of hand.

What policies and/or procedures could the members have used to make this discussion run smoother? How would you resolve the situation?

#### Topic #2: Stewardship

Four months ago, the organization agreed to approve a partnership with another organization in order to co-sponsor an event. The organization supports the event financially and in spirit. The event is rapidly approaching; however, due to a funding concern, the event may be cancelled. The need for additional funding is brought to the Board. The Board cannot decide whether to provide additional funding because the original budget allocation has been exhausted.

Should the Board adhere to its original financial commitment only and disallow additional funding? Or should the Board's support of the mission prevail and additional funds be allocated? What policies and/or procedures could the members have used to make this discussion run smoother? How would you resolve the situation?

#### Topic #3: Ethics and Conflict of Interest

The Program Committee is in need of additional funds. One committee member presents an opportunity to the Board. The organization can buy mugs at a very good price from her company and sell them at a nice profit. (The committee member owns her own mug company and will benefit from the sale to more mugs.)

Should the Program Committee consider such a proposal? Conflict of interest may be seen solely as a Board responsibility. How does the obligation to avoid conflicts of interest filter throughout the organization through committees and other activities?

## Resolving Team Conflicts

- **Ask leader's advice**
- **Implement a Code of Conduct**
- **Make it a team issue for open discussion; "I have a concern.."**
- **Focus on issue not the person(s)**
- **Follow Board rules, policies & procedures**
- **Identify how conflict is affecting performance**
- **If you identify a problem, bring along a solution**
- **Get agreement from members on the solution identified and plan action with follow-up**

One of the most effective means to minimize conflict between roles and responsibilities is to set up formal practices or procedures that help people understand the differences between organizational and personal issues.

## Two final issues: Ethics and Risk

Ethics are the cornerstone of any organization. Without internal and external trust in the integrity of the organization, little can be accomplished.

Every Organization should have a clearly defined ETHICS / CONFLICT OF INTEREST policy in place at all times, not only when the recipient of grant funding.

## Understand the needs of specific populations participating in programs and/or projects

- **Minimize Harm**
- **Stimulate Higher Standards**
- **Respect for persons**
- **Non-Malfeasance**
- **Justice**

- Data Management, privacy and confidentiality

## **Conduct Risk/Benefit assessments and oversee:**

- Informed consent procedures/forms
- Methods to recognize and respond to vulnerability of participants.
- Privacy and confidentiality
- Storage of information/records
- Who will have access
- Timeframe of storage of records and the disposal of information and records

## **Ethics When Working With Partners**

- Establish ethical guidelines
- Explain ethical standards to recipients and others with whom you interact
- Guard against violations of ethics
- Report violations to the proper authority e.g.. if you observe a case of waste or fraud
- Respond to allegations of ethical misconduct
- Avoid the Appearance of Impropriety

## **Privacy and Confidentiality**

- Identify how the information will be used and shared
- Obtain written release of information if that information will be shared or discussed outside the agency
- Allow participants to view their information
  - Identify timeframe to release information to participant
- Procedures if a participant feels their privacy is being violated
  - For Example - Health Insurance Portability and Accountability Act (HIPAA)

## **In Summary**

### **High Quality Boards**

- Remember your mission statement
- Recruit new members, have an orientation for them.
- Assess performance
- Recruit, hire, set compensation and evaluate organization leader as appropriate
- Ensure effectiveness (adhere to monitoring)

- Establish reporting schedules
- Manage assets and resources effectively
- Provide periodic training in governance and leadership
- Structure and use committees with specific tasks.

## **Insurance and Risk Management**

- Protection is essential

### **ELEMENTS OF RISK MANAGEMENT**

#### **❖ Range of activities**

- ✓ **ANTICIPATING** – know the kinds of risks situations faced by your business in general
- ✓ Know what kind and level of insurance may be required by grant program/agreement (contact funder, review NOFA & other agreements)
- ✓ **CONTROLLING** – Develop written standards and procedures for working within risk areas (such as, employees transporting clients in personal vehicles)
- ✓ Have emergency preparedness / business recovery plans in place for disaster, terrorism, vandalism
- ✓ **AVOIDING** – Ensure all steps have been taken to prevent risk situation from occurring (e.g.; staff background checks, licensing, voluntary inspections, etc.)
- ✓ Financing risk – have resources available to pay large sum if necessary

### **INSURANCE & RISK**

#### **❖ INSURANCE IS AN IMPORTANT TOOL FOR RISK FINANCING**

- Trading uncertainty of large financial loss for certainty of a fixed premium
- Affordable mechanism for financing covered losses

- ❖ Start with risk assessment (exposure analysis)

## **INSURABLE RISKS**

- ❖ GENERAL CATEGORIES

### **CLAIMS AGAINST AGENCY & STAFF**

- ❖ SOME EXAMPLES

- ✓ Vehicle/driver incidents
- ✓ Professional liability
- ✓ Commercial general liability
- ✓ Improper sexual conduct/sexual abuse
- ✓ Directors & officers liability

## **INSURABLE RISKS**

### **CLAIMS BY STAFF AND/OR VOLUNTEERS**

- ❖ SOME EXAMPLES

- ✓ Workmen's comp & employer liability
- ✓ Accident & injury

### **CLAIMS TO REPAIR OR REPLACE PROPERTY**

- ❖ SOME EXAMPLES

- ✓ General
- ✓ Crime coverage
- ✓ Major building & business systems

#### **Citation**

*Am I Covered For...? A Guide to Insurance for Nonprofits, Lai, Mary L., Chapman, Terry S., and Steinbeck, Elmer L., Consortium for Human Services, Inc. San Jose, 1992*

*The Nonprofit Risk Management Center, The Alliance For Nonprofit Management*  
[www.allianceonline.org](http://www.allianceonline.org)

## **Are You Ready to be a 501c3?**

### ***A Checklist for Emerging Organizations***

Before you rush down to the Secretary of State's office and file your articles of incorporation, you might want to consider the following questions. If you can answer all of these questions with some degree of confidence, you are probably ready to be a 501c3 nonprofit organization.

1. Do you have a clear and well-defined mission statement?
2. Is there an understandable program that falls within that mission?
3. Do you have a constituency that embraces the mission and program?
4. Are there other people besides you who believe strongly in the organization that you propose to form? Is this constituency broad-based, reflecting the community?
5. Have you identified a group of individuals who will serve as a founding board of directors?
6. Is this group diverse, reflecting the community in which you work?
7. Do you know what your legal obligations will be as a 501c3 nonprofit organization?
8. What must you file with your local government, the state, and the federal government?
9. What restrictions will you face?
10. Do you know of other organizations that provide similar services in your community?
11. Who is your competition? What makes your services unique?
12. Do you know where your first round of funding will come from?
13. Are there individuals who will donate to your organization? What foundations, corporations, or other institutions will support your work with cash or in-kind donations?



# *Ten Tips for High Quality Boards*

## **I. DEVELOP, ADHERE TO & PERIODICALLY REVIEW BYLAWS.**

Also, review organization's vision and mission statement.

## **II. RECRUIT AND ORIENT NEW BOARD MEMBERS.**

Maintain and update a profile of desired board member skills and competencies. Maintain a system for processing potential board candidates, consistent with the by-laws.

## **III. PERIODICALLY ASSESS BOARD PERFORMANCE.**

Hold an annual board assessment and evaluate individual board members compliance with attendance, travel and other organization policies. Obtain input & feedback from stakeholders, clients and partners.

## **IV. PREPARE A BOARD MEMBERS HANDBOOK.**

Each board member, at orientation, should be provided with a manual that includes; board member position descriptions; organizational chart; board contact list; list of board committees; their purpose and current mandates; annual report; by-laws; annual operating budget; annual board plan of work; and strategic plan.

## **V. PROVIDE BOARD TRAINING.**

Board members should be provided with periodic training in governance skills, leadership and information new trends or requirements in the organizations programs for legal requirements.

## **VI. STRUCTURE AND DEPLOY COMMITTEES.**

Effective boards take advantage of member's skills through the use of committees. Formally assign committees with specific mandates, timeframes and resources.

## **VII. ENSURE LEGAL, ETHICAL INTEGRITY THROUGH POLICIES.**

Ensure accounting policies and procedures are in place and practiced. Require and review annual, independent audit of organizations funds. Institute a conflict-of-interest and ethics policy for board members and staff. Adhere to non-profit state and federal requirements. Publish annual report of programs, revenues, expenses and fundraising results.

## **VIII. ENGAGE IN ANNUAL STRATEGIC PLANNING.**

On a fiscal year basis, revisit the organizations strategic plan. Evaluate the organizations progress, adjust where necessary, and test its relevancy to its current environment.

## **IX. EXECUTE FIDUCIARY RESPONSIBILITIES.**

Establish a regular reporting schedule on results, manage assets and resources effectively, review budget performance reports with comparisons to prior periods, require explanation of variances, review balance sheet quarterly and review investments performance and accounting of assets and liabilities. Participate in and support fundraising to ensure adequate resources. Continually enhance programs, services and agency's public standing.

## **X. CELEBRATE ACHIEVEMENTS WITH BOARD MEMBERS & STAFF.**

Formally recognize the organization's achievements as well as the accomplishments of board & staff members. Recognize individuals and committees. Widely publicize achievements and special events.

## **Board of Directors**

### **Job Description**

#### **Ten Basic Responsibilities of Nonprofit Boards**

From *Ten Basic Responsibilities of Nonprofit Boards*, by Richard T. Ingram

1. Determine the organization's mission and purpose
2. Select the chief executive
3. Support the chief executive and assess her/his performance
4. Ensure effective organizational planning
5. Ensure adequate resources
6. Manage resources effectively
7. Determine, monitor, and strengthen the organization's programs and services
8. Enhance the organization's public standing
9. Ensure legal and ethical integrity and maintain accountability
10. Recruit and orient new board members and assess board performance

#### **Responsibilities of Individual \_\_\_\_\_ Board Members**

##### **A. General Expectations**

1. Know the \_\_\_\_\_ mission, vision and values, strategic goals, programs and services, strengths, accomplishments, and needs.
2. Be a champion and advocate for the \_\_\_\_\_ whenever opportunities arise in business, social, or other settings to help generate and maintain public confidence, trust, and support. Use your influence, connections, and expertise to benefit the \_\_\_\_\_.
3. Perform the duties of board membership responsibly, and competently exercise the duties of care, loyalty and obedience as they apply to nonprofit board members.

4. Suggest possible nominees for the board who are women of achievement and distinction and who can make significant contributions to the work of the board and the \_\_\_\_\_ progress.
5. Serve in leadership and committee positions and undertake special assignments willingly and enthusiastically.
6. Avoid prejudiced judgments on the basis of information received from individuals and urge those with grievances to follow established policies and procedures through their supervisors. (All matters of potential significance should be called to the attention of the CEO and the board president as appropriate.)
7. Follow trends in the \_\_\_\_\_ field of interest.
8. Bring good will and a sense of humor to the board's deliberations.

## **B. Meetings**

1. Attend board and committee meetings on a regular basis.
2. Prepare for and participate in board and committee meetings, and attend \_\_\_\_\_ activities such as the \_\_\_\_\_.
3. Ask timely and substantive questions at board and committee meetings consistent with your conscience and convictions, while supporting the majority decision in issues decided by the board.
4. Maintain confidentiality of the board's executive sessions, and speak for the board or organization only when authorized to do so.
5. Suggest agenda items periodically for board and committee meetings to ensure that significant, policy-related matters are addressed.

## **C. Relationship with Staff**

1. Counsel the chief executive officer as appropriate and support her/him through difficult relationships with groups or individuals.
2. Avoid asking for special favors of the staff, including special requests for extensive information, without at least prior consultation with the chief executive, board, or appropriate committee chairperson.

## **D. Avoiding Conflicts of Interest**

1. Serve the \_\_\_\_\_ as a whole rather than any special interest group or constituency.

2. Avoid even the appearance of a conflict of interest that might embarrass the board or the \_\_\_\_\_, and disclose any possible conflicts to the board in a timely fashion.
3. Maintain independence and objectivity and do what a sense of fairness, ethics, and personal integrity dictate, even though not necessarily obliged to do so by law, regulation, or custom.
4. Never accept (or offer) favors or gifts from (or to) anyone who does business with the \_\_\_\_\_.

#### **E. Fiduciary Responsibilities**

1. Exercise prudence with the board in the control and transfer of funds.
2. Faithfully read and understand the \_\_\_\_\_ financial statements, including audits, and otherwise help the board fulfill its fiduciary responsibility.

#### **F. Fund Raising**

1. Give a personal, annual financial gift to the \_\_\_\_\_, according to your own means.
2. Support Leader Luncheon by obtaining sponsorships and selling tickets for at least one full table.
3. Help the \_\_\_\_\_ achieve its annual and capital fund raising goals by helping to identify and cultivate relationships with major gift prospects; introducing prospects to \_\_\_\_\_ staff and/or Board members; and contacting corporate or foundation trustees or government officials in support of \_\_\_\_\_ grant applications.
4. Assist the development committee and staff by implementing fundraising strategies through personal influence with others (individuals, foundations, corporations).

#### **G. Specific Requirements**

1. Support the \_\_\_\_\_ mission and maintain current membership in the \_\_\_\_\_.
2. In order to meet state licensing and contract requirements, undergo an annual criminal background check (BCI) and sign the DHS Provider Code of Conduct.

3. Sign the \_\_\_\_\_ conflict of interest policy on an annual basis.

## **Association Nominating Committee**

### **Job Description**

#### **Purpose**

To maintain and enhance association volunteer leadership

#### **Objective**

To seek and secure committed, capable, and far-sighted candidates for the Board of Directors and Nominating Committee

#### **Structure**

1. Seven members, three to be elected one year for two-year terms and three elected the following year for two-year terms. One committee member shall be a member of the Board of Directors, elected by the Board for a two-year term.
2. Chair elected by the committee.
3. President of the Board and CEO as ex-office.

#### **Responsibilities**

1. To keep on hand a list of qualified candidates from the community, and to make each prospective candidate aware of her responsibilities if elected.
2. To select and contact prospective candidates for the Board and the Nominating Committee.
3. To prepare and count the ballots for elections and report results.
4. To present for approval to the Board of Directors recommendations of persons to fill vacancies on the Board of Directors and Nominating Committee which occur between elections.
5. Plan and conduct orientation for all Board members and Nominating Committee members after the elections, in consultation with the President and CEO.
6. Chair shall prepare an annual report.

#### **Qualifications**

1. Member of the \_\_\_\_\_ with acknowledged acceptance of its aims and purposes.

2. Familiarity with local \_\_\_\_\_ mission, programs and the community.
3. Representative of areas of the community without regard to racial, religious, social, age or economic backgrounds.
4. Availability to attend committee meetings, membership meetings and \_\_\_\_\_ events.

### \_\_\_\_\_ **Board Member Annual Agreement**

As a Board member of \_\_\_\_\_ of Salt Lake City, I am fully committed and dedicated to the mission and pledge to carry out this mission. I understand that my duties and responsibilities include the following:

1. I am fiscally responsible, with other Board members, for the \_\_\_\_\_. For example, I will know what our budget is and take an active part in reviewing, approving and monitoring the budget, as well as financial statements.
2. I know my legal responsibilities for the \_\_\_\_\_ and those of my fellow Board members. I am responsible for reviewing and approving policies and monitoring the outcome or programs and services.
3. I accept the by-laws of the \_\_\_\_\_ and understand that I, along with fellow Board members and staff, am morally responsible for the health and well being of the \_\_\_\_\_.
4. I will give what is for me a substantial financial donation, each year, or I may pledge to give a certain amount several times during the year.
5. I will actively engage in fundraising for the \_\_\_\_\_ in whatever ways are best suited for me. These may include individual solicitation, promoting special events, making introductions and the like. I am making a good faith agreement to do my best and to raise as much money as I can.

6. I will actively promote the \_\_\_\_\_ and encourage and support its Chief Executive Officer and staff. I will champion the \_\_\_\_\_ within my circles of influence.

7. I will attend at least \_\_\_\_ out of \_\_\_\_ Board meetings annually, be available for phone consultation and serve on at least one \_\_\_\_\_ committee. I will also attend the annual \_\_\_\_\_ membership meeting and other \_\_\_\_\_ events.

8. I will participate in Board training and development programs, including orientation, Board retreats and other programs.

9. If I am not able to meet my obligations as a Board member, I will offer my resignation.

10. In signing this document, I understand that no rigid standards of measurement and achievement are being formed. Every Board member is making a statement of faith about every other Board member. We are trusting each other to carry out the above agreements to the best of our ability.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Board Member



## **Resources for the Non-Profit Board**

- **FOUNDATION CENTER**

<http://fdncenter.org/>

Offers a variety of books, directories, CD-ROM's and guides for nonprofits. Topics include grants, fund raising, education, management, philanthropy and volunteerism. Call for a catalog. Or better yet check out their fantastic web page.

- **Innovation Network**

<http://www.innonet.org>

Innovation Network's mission is to improve nonprofit results by building evaluation capacity. Working with nonprofit organizations and funders through evaluation consulting, training, Web-based tools, and outreach, we seek to increase evaluation and planning knowledge and skills for the entire nonprofit and philanthropic field, and to build the ability of individual nonprofits to meet their missions.

- **BoardSource**

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

BoardSource, formerly the National Center for Nonprofit Boards, is the premier resource for practical information, tools and best practices, training, and leadership development for board members of nonprofit organizations worldwide. Through our highly acclaimed programs and services, BoardSource enables organizations to fulfill their missions by helping build strong and effective nonprofit boards.

- **Drucker Nonprofit Innovation Discovery Site**

<http://pfd.org/innovation/index.html>

The Drucker Nonprofit Innovation Discovery Site shares lessons and discoveries contained within the hundreds of annual nominations for the Peter F. Drucker Award for Nonprofit Innovation. The Discovery Site is revised each year to include new discoveries of innovation in fund development, management, decision-making, alliances and partnerships, and more.

- **Alliance for Nonprofit Management**

<http://www.allianceonline.org/about>

The **Alliance for Nonprofit Management** is the professional association of individuals and organizations devoted to improving the management and governance capacity of nonprofits - to assist nonprofits in fulfilling their mission. The Alliance is a learning community that promotes quality in nonprofit capacity building. The Alliance convenes a major annual conference, networks colleagues year-round online, and provides member discounts on books and other publications. The Alliance provides visibility to its members in the online "Find a Consultant or Service Provider" directory, the People of Color Roster, and the print membership directory.

- **The Management Assistance Program (MAP)**

<http://www.mapnp.org/library/>

Free Complete Toolkit for Boards. MAP's purpose is to build the capacity of nonprofit organizations to achieve mission-driven results. Since 1979, we have provided quality, affordable management consulting and board recruitment services to thousands of nonprofit groups.

- **Compass Point Board Café**

[http://www4.compasspoint.org/p.asp?WebPage\\_ID=652](http://www4.compasspoint.org/p.asp?WebPage_ID=652)

Board Café is the electronic newsletter exclusively for members of nonprofit boards of directors. Short enough to read over a cup of coffee, Board Café offers a menu of ideas, information, opinion, news, and resources to help board members give and get the most out of board service. Each issue will bring you a cornucopia of "Little Ideas," as well as one "Big Idea" you can use in your board work.

- **The Non-Profit Genie**

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

C-MAP brings you the "Genie"—at your service with information and resources for the nonprofit community.

- **Michigan State University Non-profit Library**

<http://www.lib.msu.edu/harris23/grants/znonprof.htm>

Gateway to internet sites that provide advice, guidance and services to non-profit organizations.

- **Small Business Administration – S.C.O.R.E. – Senior Corp of Retired Executives**

<http://www.sba.gov/ny/buffalo/aboutus.html>

Free counseling, advice and information for business and non-profit executives. Buffalo and Rochester locations.

- **ABOUT**

[http://nonprofit.about.com/od/managinganonprofitorg/a/board\\_basics.htm](http://nonprofit.about.com/od/managinganonprofitorg/a/board_basics.htm)

Gateway for general information on non-profit organizations